

Summary of Comments on Consultation Paper 57 - CEIOPS-CP-57/09**CEIOPS-SEC-12-09****CP No. 57 - L2 Advice on Capital add on****22.10.2009**

CEIOPS would like to thank AAS BALTA, AB Lietuvos draudimas, Association of British Insurers, CEA, ECO-SLV-09-452, CRO Forum, DENMARK: Codan Forsikring A/S (10529638), DIMA (Dublin International Insurance & Management , European Insurance CFO Forum, European Union member firms of Deloitte Touche To, Federation of European Accountants (FEE), FFSA, German Insurance Association – Gesamtverband der D, GROUPAMA, Groupe Consultatif, Institut des actuaires (France), International Underwriting Association of London, Legal & General Group, Link4 Towarzystwo Ubezpieczeń SA, Lloyd's, Milliman, Munich RE, NORWAY: Codan Forsikring (Branch Norway) (991 502 , Pearl Group Life, PricewaterhouseCoopers LLP, RBS Insurance, ROAM (Réunion des Organismes d'Assurance Mutuel, RSA Insurance Group PLC, RSA Insurance Ireland Ltd, RSA - Sun Insurance Office Ltd., SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799), and XL Capital Ltd

The numbering of the paragraphs refers to Consultation Paper No. 57 (CEIOPS-CP-57/09)

No.	Name	Reference	Comment	Resolution
1.	AAS BALTA	General Comment	The approach outlined is sensible and strikes the correct balance between explaining the general approach to be followed by supervisors, whilst recognising that almost every assessment will be different, i.e. it is not possible to provide regimented guidance. CEIOPS should not be bullied into providing detailed methodologies for add-ons. They should however police the add-ons by comparing and contrasting add-ons across Europe.	Noted.
2.	AB Lietuvos draudimas	General Comment	The approach outlined is sensible and strikes the correct balance between explaining the general approach to be followed by supervisors, whilst recognising that almost every assessment will be different, i.e. it is not possible to provide regimented guidance. CEIOPS should not be bullied into providing detailed methodologies for add-ons. They should however police the add-ons by comparing and contrasting add-ons across Europe.	Noted.
3.	ACA – ASSOCIATIO	General Comment	Capital add-ons should be a temporary measure.	

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N DES COMPAGNIE S D'ASSURAN CES DU		<p>We agree with CEIOPS that capital add-ons are temporary, to be implemented as a last resort measure when all other supervisory tools have been exhausted, e.g. the implementation or improvement of internal model, the use of entity-specific parameters, the improvement of the system of governance, or the change in the risk profile or the undertaking.</p> <p>We strongly support the use of a netting approach.</p> <p>With regards to the assessment of the significance of the deviation in the use of the standard formula, CEIOPS recommends that the supervisory authorities only consider the risks that are underestimated by the SCR formula. We support the option that the risks that may be overestimated be also included, which allows for an appropriate balance.</p> <p>The process for the supervisor to assess the potential risk profile deviation in case of using an internal model is included in the general approval process of internal model and should not be a source of capital add-on.</p> <p>The first measure should be recalibration of the internal model. A capital add-on is the last resort measure if recalibration fails.</p> <p>We suggest specifying that, after an internal model has received approval, a capital add-on can only be considered if there are material changes in the risk profile of the undertaking or in the general macro-economic environment that the approved internal model fails to capture adequately (i.e. a module of an internal model that has been approved should not be subject to a capital add-on unless the supervisor can demonstrate that there are new elements that indisputably make this module no longer valid). In such case, the undertaking and the supervisor should firstly discuss</p>	Noted

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			<p>how the internal model can be adapted to capture this change. We refer to the approval process for internal models. A capital add-on should be a last resort measure.</p> <p>There has to be a high level of harmonization at the EU level.</p> <p>The process related to capital add-ons should not lead to an excessive additional burden to undertakings.</p> <p>Existing reporting should be utilized by supervisors when possible, rather than requiring undertakings to re-submit information.</p> <p>There should be no maximum timeframe for addressing governance deficiencies.</p> <p>The appropriate timeframe will depend on the specific circumstances of the undertaking.</p>	
4.	Association of British Insurers	General Comment	<p>Overall, we support CEIOPS' advice on capital add-ons is broadly reasonable. We agree this is an area where flexible principles are more relevant than hard-encoded rules and therefore welcome the principles based approach taken by CEIOPS.</p> <p>We agree that capital add-ons are temporary, to be implemented as a last resort measure when all other supervisory tools have been exhausted, e.g. the implementation or improvement of internal model, the use of entity-specific parameters, the improvement of the system of governance, or the change in the risk profile or the undertaking.</p> <p>However, we would highlight the following concerns:</p> <p><input type="checkbox"/> The capital add-on should not take the SCR above the standard '99.5% one year VaR' target.</p> <p><input type="checkbox"/> The timeframes for responding and producing re-runs do not</p>	<p>Noted.</p> <p>Noted.</p> <p>Noted.</p> <p>There is no reference to timeframes for responding and</p>

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			<p>look practical. Although it is desirable to produce new numbers within 3-4 weeks, unless approximations are allowed this could prove very challenging.</p> <p><input type="checkbox"/> It would not be appropriate for immediate public disclosure on capital add-ons until the framework has bedded down and a reasonable level of consistency is achieved. Therefore, clarification from CEIOPS on how it intends to deal with this transition period would be helpful.</p> <p><input type="checkbox"/> We strongly support the use of a netting approach. With regards to the assessment of the significance of the deviation in the use of the standard formula, CEIOPS recommends that the supervisory authorities only consider the risks that are underestimated by the SCR formula. We support the option that the risks that may be overestimated be also included, which allows for an appropriate balance.</p> <p><input type="checkbox"/> An appeal process should be established by CEIOPS to enable the (re)insurer to appeal if not in agreement with the capital add-on.</p>	<p>producing re-runs within 3-4 weeks.</p> <p>It is not up to CEIOPS to make that decision. Article 50 provides a Member State option to allow that undertakings do not have to disclose the amount of capital add-on for a maximum of five years.</p> <p>CEIOPS has amended its Advice in order to make clear that taking into account the risks overestimated is possible but it is the responsibility of the undertaking to demonstrate that the overall SCR is in line with the VaR 99.5% for a one-year period.</p> <p>National laws provide for a legal process in case undertakings seek to challenge the decision of the supervisory authority.</p> <p>Establishing an administrative appeal process for capital add-ons is outside the scope of Solvency II and it would be inconsistent to introduce such a process for capital add-ons specifically but not for other supervisory measures.</p>

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5.				
6.				
7.				
8.			Confidential comment deleted	Noted
9.	CEA, ECO-SLV- 09-452	General Comment	<p>Capital add-ons should be a temporary measure.</p> <p>We agree with Ceiops that capital add-ons are temporary, to be implemented as a last resort measure when all other supervisory tools have been exhausted, e.g. the implementation or improvement of internal model, the use of entity-specific parameters, the improvement of the system of governance, or the change in the risk profile or the undertaking.</p> <p>Ceiops should utilise all possible tools to ensure supervisory convergence in the application of capital add-ons.</p> <p>We support the setting of a task force on capital add-ons, training for supervisory authorities, setting up a common database, having annual reports on the use of the power to set a capital add-on, and peer reviews. The task force should be tasked with promoting supervisory convergence through sharing of best practice and analysing any discrepancies from the general average across</p>	<p>Noted.</p> <p>Noted.</p> <p>Noted.</p>

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			<p>Member States.</p> <p>We strongly support the use of a netting approach.</p> <p>With regards to the assessment of the significance of the deviation in the use of the standard formula, Ceiops recommends that the supervisory authorities only consider the risks that are underestimated by the SCR formula. We support the option that the risks that may be overestimated be also included, which allows for an appropriate balance.</p> <p>The netting off is implicit for internal models. Therefore, we do not think this comment is relevant for internal models where we expect risk profile capital add-ons to be very exceptional.</p> <p>The process for the supervisor to assess the potential risk profile deviation in case of using an internal model is included in the general approval process of internal model and should not be a source of capital add-on.</p> <p>The first measure should be recalibration of the internal model. A capital add-on is the last resort measure if recalibration fails. See comment on 3.282 for more details.</p>	<p>See comment 4 above.</p> <p>Risk profiles and internal models are not expected to be static. Internal models after approval are expected to continue to appropriately reflect the risk profile of undertakings (Article 118). The Level1 text requires that the process to assess capital add-ons should be a part of both the internal model approval as well as the capital add-on assessment. Article 37(1)(b) clearly establishes risk profiles add-ons for internal models.</p> <p>Capital add-ons are last resort measures. Internal models are</p>

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			<p>Ceioms should clarify a number of issues relating to capital add-ons.</p> <p>Ceioms should clarify its position on the assessment of "significant deviation", the right to appeal decision made by supervisory authorities under a timeframe to be defined, and what constitutes a material deviation. In addition, the CP should state consistently whether partial internal models are also meant when the text refers to internal models.</p> <p>It should be the responsibility of the supervisor to demonstrate that there is a need for a capital add-on.</p> <p>It seems that this CP promotes the idea that the undertakings are responsible for demonstrating and evidencing that they have no need for a capital add-on. This idea is not in line with the Level 1,</p>	<p>more than the calculation kernel. Internal models will need to comply with the requirements set out in the Level 1 text. Please refer to paragraphs 3.88 and 3.89. As article 37(1)(b) states they will be imposed if the adaptation of the internal model to better reflect the risk profile has failed within an appropriated timeframe.</p> <p>Further clarification on what constitutes a "significant deviation" is only possible on Level 3. A "material" deviation is not different from a "significant" deviation. With regard to the right to appeal see comment 4 above.</p> <p>CEIOPS believes that general references which include internal models and specific references to internal models are clearly identified.</p> <p>CEIOPS disagrees. It is the responsibility of the undertaking to present sufficiently strong arguments and evidence, in relation to the overestimated risks, to allow the supervisory</p>

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			<p>which states that the supervisor has the responsibility to prove there is a need for a capital add-on.</p> <p>The process related to capital add-ons should not lead to an excessive additional burden to undertakings.</p> <p>Existing reporting should be utilized by supervisors whenever possible, rather than requiring undertakings to re-submit information.</p> <p>There should be no maximum timeframe for addressing governance deficiencies.</p> <p>The appropriate timeframe will depend on the specific circumstances of the undertaking.</p>
			<p>authority to be satisfied that the overall SCR is in line with the VaR 99.5% for a one-year period.</p> <p>Supervisors would not require the submission of information already available to them. However, the process related to capital add-ons may well require additional information.</p> <p>Noted.</p> <p>CEIOPS disagrees. How long the undertaking needs to remedy the situation is irrelevant. Additional material risks resulting from significant governance deficiencies require an add-on unless the deficiencies can be remedied in a timeframe that is acceptably short in view of the risk that could crystallise on account of the deficiencies.</p>
10.	CRO Forum	General	57.A The approach to applying capital add-ons should be

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	Comment	<p>harmonised across Europe to ensure that all companies are treated equally (priority: medium)</p> <p>A theme in the response to this Consultation Paper is the need for further clarity around the methodology that will ensure consistent application of capital add-ons as well as further clarification on how the transparent communication of the methodology across member states will be managed.</p> <p>The CRO Forum support the possibility to appeal a capital add-on decision, within a process similar to that applicable for other supervisory measures.</p> <p>As expressed in our response to CP62 'College of supervisors, we reiterate our position that the college shall provide involved supervisors an opportunity for discussion of issues with management at the group level and should be the entry point in case of divergence with a local supervisor, particular in case of capital add-on.</p> <p>We also recommend that CEIOPS be systematically involved in the validation of capital add-on proposed by local supervisors, in order to ensure an harmonized approach at the EU level. The process and timeframe should be clearly defined under Level 2 requirements and added to the definition of the due process.</p> <p>The CP requires only brief disclosure by regulators of the reasons why a Capital Add-On is required. Further, disclosure of the Add-On is the responsibility of the local regulator and could be at any point up to 5 years after the capital add on is applied. That's why we recommend regulators to produce a report to the entity within 3-4 months of the capital add-on being advised setting out:</p> <ul style="list-style-type: none"> • the reasons why a capital add-on is required and why other measures would not be sufficient; • methodology and assumptions to calculate the add-on; 	<p>CEIOPS has clarified the methodology as far as possible given that calculation will require a case-by-case approach.</p> <p>Noted.</p> <p>Noted.</p> <p>Noted.</p> <p>The Level 1 text appears not allow for systematically involvement of CEIOPS.</p> <p>According to Article 50 disclosure of the add-on is the responsibility of the undertaking concerned. The five years refer to a Member State option not to require undertakings to disclose capital add-ons that are set within the first years (the possible maximum being the first five years) after</p>

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		<ul style="list-style-type: none"> actions required for the capital add-on to be removed. 	<p>57.B The capital add-on should not take the SCR above the standard '99.5% one year VaR' target (priority: high)</p> <p>§3.273 refers to a 'crude' basis to calculate the capital add-on. This would result in a measure without sufficient depth and which is difficult to compare across peers.</p> <p>The calculation of the capital add-on should be based on sound economic justification, and public rather than confidential information should be used so that a comparison of the results can be made of across peers. The methodology and assumptions used calculate the capital add-on should be subject to independent review and recommendations to verify consistency with guidance and facilitate harmonisation.</p> <p>57.C It is important that the capital add-on is temporary (priority: very high)</p> <p>Its application should be combined with a clear 'remediation' plan</p>	<p>Solvency II enters into force. Exercising the option means non-disclosure not postponement of the disclosure.</p> <p>Supervisors will not produce a "report" but an explanation to any decision to set a capital add-on. This will cover the points mentioned, if and insofar as it is necessary. E.g. for a risk profile capital add-on the undertaking is likely to know from discussions with the supervisor why other measures are not sufficient and there are no actions required for the removal of the capital add-on.</p> <p>CEIOPS disagrees with the statement that capital add-ons should be based solely on public information. All relevant information should be used in order to reestablish the sufficient level of policy holder protection.</p>

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	<p>to remove the add-on in the near future. The supervisor should work with the firm to ensure that there is a remediation plan to remove the capital add-on after a reasonable period of time (to be determined depending on the deficiency)</p> <p>57.D Clarity is required where a solo risk profile deviates with the assumptions underlying the internal model approved (priority: high)</p> <p>Article 229 (6) of the Framework Directive gives supervisory authorities the right to impose a capital add-on where they consider that the risk profile of the undertaking under their supervision deviated significantly from the assumptions underlying the internal model approved at group level. This is an important area where further advice would be helpful to define the criteria of "significant deviation of the risk profile".</p> <p>57.E Model updates instead of capital add-ons should be first point of action (priority: high)</p> <p>This consultation paper envisages a number of situations where the SCR is recalculated or internal model is rerun using new parameters, design structures etc. and the resulting difference is applied as a capital add-on. In practice, if it is evident that different parameters or designs are more appropriate, it is likely that the undertaking would simply update the internal model or the SCR calculation and a capital add-on would no longer be required.</p> <p>57.F Care should be taken when carrying out comparable analysis (priority: high)</p> <p>Much care should be taken by supervisory authorities in applying capital add-ons based on comparative analysis. An SCR that is lower than those of undertakings that the supervisory authority considers comparable should not by itself be sufficient proof of the need for a capital add-on as there may be valid reasons for this difference.</p>	<p>Noted.</p> <p>Noted. The solo rules apply mutatis mutandis.</p> <p>Capital add-ons are last resort measures. As article 37(1)(b) states, they will be imposed if the adaptation of the internal model to better reflect the risk profile has failed within an appropriated timeframe. For further information please refer to paragraphs 3.37 to 3.39.</p> <p>Noted.</p>

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			<p>57.G Supervisors should consider the effect on the SCR of risks that have been overestimated as well as risks that have been underestimated (priority: high)</p> <p>The CRO Forum recommend that supervisors consider the effect on the SCR of risks that have been overestimated as well as risks that have been underestimated. The over-arching principle should be to ensure that risks are correctly assessed in aggregate as well as on a standalone basis at a 99.5% one-year VaR confidence level. This refers to paragraph 3.71, option (b) within CP57.</p> <p>To enable this, we broadly support the approach given in 3.81, although we believe that the identification of risks that have been overestimated is a shared responsibility, where the supervisor takes the lead. Once this has occurred, an action plan can be developed accordingly."</p>	<p>See comment 4 above.</p> <p>CEIOPS disagrees. The lead of the assessment of the risk overestimated should be from the undertaking.</p> <p>Supervisors will require undertakings to explain to how they propose to remedy the deficiencies identified within a certain period of time which depends on the deficiencies.</p>

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				<p>Removal of the capital add-on depends on whether the undertaking has taken the necessary measures and can show that the deviation has ben resolved.</p> <p>Especially for groups this is not a special case: The significant deviation of the risk profile is no different in these cases from a significant deviation from the internal model of the undertaking itself.</p>	

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11.	DENMARK: Codan Forsikring A/S (10529638)	General Comment	<p>The approach outlined is sensible and strikes the correct balance between explaining the general approach to be followed by supervisors, whilst recognising that almost every assessment will be different, i.e. it is not possible to provide regimented guidance.</p> <p>CEIOPS should not be bullied into providing detailed methodologies for add-ons. They should however police the add-ons by comparing and contrasting add-ons across Europe.</p>	Noted.
12.	DIMA (Dublin International Insurance & Management	General Comment	<p>DIMA welcomes the opportunity to comment on this paper.</p> <p>Comments on this paper may not necessarily have been made in conjunction with other consultation papers issued by CEIOPS.</p> <p>What regard does CEIOPS have to the undertaking's ORSA, in particular where the undertaking's ORSA exceeds the SCR and thus the undertaking self imposes an effective Capital Add On? In particular, we would see this as a reasonable basis for initial dialogue with the relevant supervisor during the supervisory review process in the context of setting entity-specific parameters or adopting partial models to address risks not contemplated in the standard formula.</p> <p>Furthermore, we see timing as a key consideration as regards to the Add On, in particular as regards to the scope through dialogue with a supervisor to directly incorporate guidance on Add Ons into the Pillar 1 calculation for a subsequent reporting period where the period for remediation includes the next reporting period. This is particularly important in the case where an ORSA exceeds the SCR and the company is self imposing the Add On.</p> <p>By definition it would appear inconsistent to apply a Risk Capital Add On reflecting shortfalls in the coverage of the SCR where an internal model has been approved, not least given the onerous</p>	<p>CEIOPS agrees that the result of the ORSA is a starting point for discussions with the undertaking.</p> <p>Noted</p> <p>CEIOPS does not fully agree. The example suggested is one of the situations under which a risk profile capital add-on can occur</p>

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		<p>requirements associated with the same. We would expect that the Risk Capital Add On associated with internal models is reflective of a change of the underlying business not addressed by the internal model, in which case the supervisory review process would most appropriately be focused on the remedial steps of short of an Add On.</p> <p>In respect to the assessment of governance capital add-ons, the level 2 advice is too open as it currently stands in this consultation paper.</p> <p>Article 229 (6) of the Directive gives supervisory authorities the right to impose a capital add-on where they consider that the risk profile of the undertaking under their supervision deviates significantly from the assumptions underlying the internal model approved at group level. This is an important area where further advice would be very helpful. However it is not considered in this consultation paper.</p> <p>We understand how comparisons may be useful in identifying outliers or otherwise raise questions in the first instance. We do not however view them as being sufficiently rigorous to be the basis of an Add On. In particular, if the comparison has insufficient regard to either the individual situation of the relevant undertaking or the reference undertakings used for the comparison the inferences may be inappropriate without detailed analysis. Where such detailed analysis is carried out then arguably a more direct basis for the Add On can be established, ergo the process is inappropriate.</p> <p>This consultation paper envisages a number of situations where the SCR is recalculated or internal model is rerun using new parameters, design structures etc and the resulting difference is applied as a capital add on. In practice, if it is evident that different parameters or designs are more appropriate, it is likely that the undertaking would simply update the internal model or the SCR calculation and a capital add-on would not be required. The</p>	<p>not the only one.</p> <p>Noted.</p> <p>Noted.</p> <p>A step by step approach should be followed as expressed in paragraphs 3.195 to 3.218. Comparative analyses are a relevant source of information as stated in paragraph 3.219 and may take a more or less prominent role on the capital add-on calculation as explained in the referred paragraphs 3.195 to 3.218.</p> <p>Comparative analysis firstly should include undertakings whose risk profile with respect of the risks under analysis is deemed comparable.</p> <p>Where undertakings with relatively comparable risk profiles</p>

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			<p>requirement that parameters or designs are chosen that “best reflect” the risk is onerous and may be subjective. It would be preferable to require undertakings to choose designs or parameters that are a good reflection of the risk.</p> <p>Further clarity should be provided around the methodology that will ensure consistent application of capital add-ons as well as further clarification on how the transparent communication of the methodology across Member States will be managed.</p> <p>The advice on Groups is very limited and too flexible. It is important to define a common and more specific approach to be followed in order to ensure a consistent supervisory review across the Group through the College arrangements.</p> <p>There is no mention to how solo and Group partial internal models will be treated when assessing the significance of a deviation and calculating the capital add-on.</p>	<p>cannot be found, the supervisory authority would need to incorporate a more subjective analysis of the perceived increase in the riskiness of the business of the undertaking relative to its peers.</p> <p>Capital add-ons deal with significant deviations that undermine policyholders’ protection. There cannot be situations without solution. An appropriate process must always be found.</p> <p>See comment 9 above.</p>	
13.	European Insurance CFO Forum	General Comment	<p>The CFO Forum would like to stress the importance of ongoing dialogue between the supervisor and the management of the supervised undertaking in situations where Capital Add-Ons are considered.</p> <p>The CFO Forum also highlight the requirement of the level 1 text which articulates that Capital Add-Ons may only be set in “exceptional circumstances” and as a “last resort measure”.</p>	Noted.	

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14.	European Insurance CFO Forum	General Comment	<p>The CFO Forum would like to stress the importance of ongoing dialogue between the supervisor and the management of the supervised undertaking in situations where Capital Add-Ons are considered.</p> <p>The CFO Forum also highlight the requirement of the level 1 text which articulates that Capital Add-Ons may only be set in ""exceptional circumstances"" and as a ""last resort measure"".</p>	Noted.	
15.	European Union member firms of Deloitte Touche To	General Comment	<p>We understand that the implementation of capital add-ons from governance issues raise questions. We cannot find any benchmark against which the regulator will assess any governance deviations. We would like to recommend that CEIOPS defines at Level 3 some clear benchmarks: this could take the form of selecting an existing framework applicable in all Member States (such as rating agencies' ERM Framework or COSO). Otherwise it will be hard to measure deviations from a governance perspective.</p> <p>We believe that the capital add-on emerging from risk profile issues from undertakings using the standard formula may include some ambiguity. From the text it looks as if the standard formula is a standard plus methodology. Because if correlations, new risks, wrong assumptions can differ for undertakings, it may indicate that the standard formula is no longer a standard formula. On top of that, normally standard formulae are quite conservative therefore an additional add-on for these institutions will be extremely prudent. For undertaking using an internal model, we believe that the chosen approach is appropriate and clear.</p> <p>We find it difficult to identify the added value from splitting the capital add-ons between life and non-life activities. The additional insight does not seem to substantiate the increase of the complexity this might cause. However, we understand that this requirement comes from the combination of a Level 1 constraint (requiring MCR to be split between life and non life), with the</p>	<p>Under a principles-based approach where the principle of proportionality is to be taken into account there can be no clear benchmarks. CEIOPS expects however to achieve an adequate degree of harmonisation via Level 3 guidance on the system of governance, in particular the SRP and the risk assessment framework.</p> <p>CEIOPS notes that it is impossible to ensure that a standard formula will fit the risk profile of all undertakings using it. There will be cases where it leads to underestimation of risks, and these are the cases where the capital add-on comes into play. The add-on aims at the 99,5% VaR so it will not be extremely prudent.</p> <p>In fact the computation of the MCR, specifically the corridor,</p>	

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			choice of an SCR corridor for the calculation of the MCR.		makes it necessary to separate the add-on between life and non-life. Please refer to the discussion on composites on CEIOPS CP55.
16.	Federation of European Accountants (FEE)	General Comment	<p>We share with you our comments in respect to the issues that relate to the external auditors function.</p> <p>Overall, we believe that the proposals are logical and appropriate. However, we note that there is a potential issue in the circumstance where a relevant Supervisory Authority has identified a potential deviation and there being a time lag between identification and assessment. Were this delay to coincide with a year-end or other reporting deadline, it is unclear how this matter would affect the regulatory solvency position of the undertaking as pertains the audit. We therefore recommend that guidance be provided on the implications of this scenario.</p>		As long as there is a possibility of the undertaking receiving an add-on, the regulatory solvency position at a certain deadline remains open. Any disclosure of the SCR would have to indicate the the final amount of the SCR is still subject to supervisory assessment in accordance with Article 50(2) last subparagraph.
17.	FFSA	General Comment	<p>FFSA fully supports preliminary measures envisaged (such as changing the risk profile, using entity specific parameters or implementing partial / internal model) before setting capital add-on.</p> <p>FFSA also insists on reminding that the standard formula is to be applied by default and the supervisor is in charge of evidencing that the standard formula does not comply with the risk profile of the undertaking.</p> <p>As regards assessment of the significance of the deviation in the use of the standard formula, CEIOPS recommends that the supervisory authorities only consider the risks that are underestimated by the SCR formula. FFSA supports the option that the risks that may be overestimated be also included, which allows</p>		<p>Noted.</p> <p>See comment 9 above.</p> <p>See comment 4 above.</p>

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		<p>for balancing.</p> <p>FFSA would support the opinion that the process for the supervisor to assess the potential risk profile deviation in case of using an internal model is included in the general approval process of internal model and should not be a source of capital add-on. As a result, FFSA does not see the rationale for a supervisor to impose any capital add-on for risk deviation once using an "approved" internal model. Accordingly, FFSA recommends specifying that , after an internal model has received approval, a capital add-on can only be suggested if there are material changes in the risk profile of the undertaking or in the general macro-economic environment that the approved internal model fails to capture adequately (i.e. a module of an internal model that has been approved should not be subject to a capital add-on unless the supervisor can demonstrate that there are new elements that indisputably make this module no longer valid). In such case, the undertaking and the supervisor should firstly discuss how the internal model can be adapted to capture this change. A capital add-on could then only be envisaged if the undertaking and the supervisor fail to agree on an appropriate change to the internal model</p> <p>FFSA fully supports the due process proposed, including the possibility to appeal a capital add-on decision, within a process similar to that applicable for other supervisory measures. FFSA also recommends that CEIOPS be systematically involved in the validation of capital add-on proposed by local supervisors, in order to ensure an harmonized approach at the EU level. The process and timeframe should be clearly defined under Level 2 requirements and added to the definition of the due process.</p> <p>FFSA suggests that when the deduction and aggregation method</p>	<p>CEIOPS agrees with the view that capital add-ons are last resort measures. For further information please refer to answer to comments 9, 10 and 12.</p> <p>Noted.</p> <p>As the capital add-on will be a component in the SCR and the</p>

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			applies, any capital add-on applied at solo level would not be disclosed automatically as capital add-on a group level.		SCR is then aggregated, it will mathematically flow through when using the deduction and aggregation method.
18.	German Insurance Association – Gesamtverb and der D	General Comment	<p>GDV appreciates CEIOPS' effort regarding the implementing measures and likes to comment on this consultation paper. In general, GDV supports the detailed comment of CEA. Nevertheless, the GDV highlights the most important issues for the German market based on CEIOPS' advice in the blue boxes. It should be noted that our comments might change as our work develops. Our views may evolve depending in particular, on other elements of the framework which are not yet fixed – e.g. specific issues that will be discussed not until the third wave is disclosed.</p> <p>Capital add-ons should be a temporary measure.</p> <p>We agree with CEIOPS that capital add-ons are temporary, to be implemented as a last resort measure when all other supervisory tools have been exhausted, e.g. the implementation or improvement of internal model, the use of entity-specific parameters, the improvement of the system of governance, or the change in the risk profile or the undertaking.</p> <p>CEIOPS should utilise all possible tools to ensure supervisory convergence in the application of capital add-ons.</p> <p>We support the setting of a task force on capital add-ons, training for supervisory authorities, setting up a common database, having annual reports on the use of the power to set a capital add-on, and peer reviews. The task force should be tasked with promoting</p>		<p>Noted.</p> <p>Noted.</p> <p>Noted.</p>

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		<p>supervisory convergence through sharing of best practice and analysing any discrepancies from the general average across Member States.</p> <p>We strongly support the use of a netting approach.</p> <p>With regards to the assessment of the significance of the deviation in the use of the standard formula, CEIOPS recommends that the supervisory authorities only consider the risks that are underestimated by the SCR formula. We support the option that the risks that may be overestimated be also included, which allows for an appropriate balance.</p> <p>The netting off is implicit for internal models. Therefore, we do not think this comment is relevant for internal models where we expect risk profile capital add-ons to be very exceptional.</p> <p>The process for the supervisor to assess the potential risk profile deviation in case of using an internal model is included in the general approval process of internal model and should not be a source of capital add-on.</p> <p>The first measure should be recalibration of the internal model. A capital add-on is the last resort measure if recalibration fails. See comment on 3.282 for more details.</p> <p>CEIOPS should clarify a number of issues relating to capital add-ons.</p> <p>CEIOPS should clarify its position on the assessment of "significant deviation", the right to appeal decision made by supervisory authorities under a timeframe to be defined, and what constitutes a material deviation. In addition, the CP should state consistently</p>	<p>See comment 4 above.</p> <p>See comment 9 above.</p> <p>See comment 9 above.</p>

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		<p>whether partial internal models are also meant when the text refers to internal models.</p> <p>It should be the responsibility of the supervisor to demonstrate that there is a need for a capital add-on.</p> <p>It seems that this CP promotes the idea that the undertakings are responsible for demonstrating and evidencing that they have no need for a capital add-on. This idea is not in line with the Level 1, which states that the supervisor has the responsibility to prove there is a need for a capital add-on.</p> <p>The process related to capital add-ons should not lead to an excessive additional burden to undertakings.</p> <p>Existing reporting should be utilized by supervisors when possible, rather than requiring undertakings to re-submit information.</p> <p>There should be no maximum timeframe for addressing governance deficiencies.</p> <p>The appropriate timeframe will depend on the specific circumstances of the undertaking.</p>	<p>See comment 9 above.</p> <p>See comment 9 above.</p> <p>See comment 9 above.</p>
19.	Groupe Consultatif	General Comment	<p>Generally the Groupe Consultatif welcomes the thoughtful approach set out in this paper, although we do believe it would have been enhanced by more explanation and example of how supervisors would assess risk profile deviations particularly. We have some concerns about how a deviation reference value is to be applied in practice, and we believe that any such value should be substantial and material in relation to other balance sheet quantities.</p> <p>We strongly favour netting of under- and over-estimation, as to do</p> <p>More explanations and examples will be developed under Level 3.</p> <p>CEIOPS believes that the significance should be in relation to risks and solvency capital requirement and not in relation to balance sheet.</p> <p>See comment 4.</p>

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			otherwise would be a significant move away from the economic assessment principles underlying the Solvency 2 directive.		
20.	International Underwriting Association of London	General Comment	Although we recognise that the application of capital add-ons should be "exceptional" we would like to refer CEIOPS to our comments on CP53 with regards to the risk sensitivity of operational risk. Given that the operational risk module is not, in our view at least, very risk sensitive, we are concerned that capital add-ons could be used to treat deficiencies in the operational risk module if in practice it is discovered that the module does not fit the operational risk profile of undertakings. We do not believe that the availability of a capital add-on to remedy significant deviations from the standard formula should preclude adequate Level 2 implementing measures from being developed.	If in fact, as you stated, "the module does not fit the operational risk profile of undertakings" then the need for a capital add-on should be considered, although not automatically imposed. The development of a partial internal model would also be a solution in this situation. Agreed.	
21.	Legal & General Group	General Comment	There are several places in the white text where "extra" data or duplicate data is included as compared to that produced in other CPs. It would be preferable for data to be defined in only one CP and that as far as possible, that data should be publicly disclosed. There is a strong chance that all firms will produce even more data than required "just in case" which will be expensive. The timeframes for responding and producing re-runs do not look practical. Though desirable to produce new numbers within 3-4 weeks, unless approximations are allowed this could prove more then challenging	CEIOPS does not understand this comment. See comment 4 above.	
22.	Link4 Towarzystw o Ubezpieczeń SA	General Comment	The approach outlined is sensible and strikes the correct balance between explaining the general approach to be followed by supervisors, whilst recognising that almost every assessment will be different, i.e. it is not possible to provide regimented guidance. CEIOPS should not be bullied into providing detailed methodologies for add-ons. They should however police the add-ons by comparing	Noted.	

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			and contrasting add-ons across Europe.	
23.	Lloyd's	General Comment	<p>Lloyd's welcomes the opportunity to comment on CP57.</p> <p>In general:</p> <p>We agree that capital add-ons should be temporary until the correction of the relevant material deficiency.</p> <p>The supervisory authority is responsible for demonstrating and providing evidence that a capital add-on is needed. The undertaking's responsibility is to co-operate with the supervisor and provide all requested information. This should be made clearer in the Level 2 advice.</p> <p>Due process in relation to capital add-ons should not result in additional burdens to undertakings and should include an appeals and arbitration process within an appropriate timeframe.</p> <p>When assessing the significance of a deviation, both underestimated and overestimated risks should be considered.</p>	<p>Noted.</p> <p>CEIOPS considers that if the undertaking wants to claim that risks are overestimated it is the responsibility of the undertaking to demonstrate this and provide evidence.</p> <p>If additional information from undertakings is necessary they will have to produce this, burden or no. See comment 4 above with regard to appeals/ arbitration process.</p> <p>Noted.</p>
24.	Munich RE	General Comment	We fully support all of the GDV statements and would like to add the following points:	Noted.

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		<p>The approach to applying capital add-ons should be harmonised across Europe.</p> <p>We strongly support the intention, that a capital add-on is a last resort measure when other supervisory measures are in effective or inappropriate. Model updates instead of capital add-ons should be first point of action.</p> <p>It is important that capital add-ons are temporary, pending the implementation or improvement of internal model, the use of entity-specific parameters, the improvement of the system of governance, or the change in the risk profile or the undertaking.</p> <p>Clarity is required where a solo risk profile deviates from group level assumptions.</p> <p>A capital add-on should not increase the SCR beyond the 99.5% confidence level over a one-year time horizon.</p> <p>It should be the responsibility of the supervisor to demonstrate that there is a need for a capital add-on.</p> <p>Care should be taken when carrying out comparable analysis.</p> <p>CEIOPS should clarify its position on the assessment of "significant deviation", the right to appeal decision made by supervisory authorities under a timeframe to be defined, and what constitutes a material deviation.</p>	<p>Noted.</p> <p>Noted.</p> <p>As the undertaking is not obliged to change its risk profile for risk profile capital add-ons the add-on may be non-temporary.</p> <p>Noted.</p> <p>Noted.</p> <p>Noted.</p> <p>Noted.</p> <p>See comment 9 above.</p>

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25.	NORWAY: Codan Forsikring (Branch Norway) (991 502	General Comment	<p>The approach outlined is sensible and strikes the correct balance between explaining the general approach to be followed by supervisors, whilst recognising that almost every assessment will be different, i.e. it is not possible to provide regimented guidance.</p> <p>CEIOPS should not be bullied into providing detailed methodologies for add-ons. They should however police the add-ons by comparing and contrasting add-ons across Europe.</p>	Noted.
26.	Pearl Group Life	General Comment	<p>Overall, we support CEIOPS' advice on capital add-ons is broadly reasonable. We agree this is an area where flexible principles are more relevant than hard-encoded rules and therefore welcome the principles based approach taken by CEIOPS.</p> <p>We agree that capital add-ons are temporary, to be implemented as a last resort measure when all other supervisory tools have been exhausted, e.g. the implementation or improvement of internal model, the use of entity-specific parameters, the improvement of the system of governance, or the change in the risk profile or the undertaking.</p> <p>CEIOPS seems to avoid committing on the offsetting of over and under estimated risks for Internal Models but this should be allowed provided the overriding requirement, VaR at 99.5% for a one-year time horizon, is met.</p>	<p>Noted.</p> <p>See comment 24 above.</p> <p>See new paragraphs 3.110 and 3.111.</p>
27.	RBS Insurance	General Comment	<p>Overall we welcome the principles driven approach to setting capital add-ons proposed by CEIOPS.</p> <p>We also agree with the five proposed principles within the</p>	Noted.

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			<p>consultation paper.</p> <p>However we feel that CEIOPS objective of contributing to supervisory convergence may be prove difficult to achieve with the approach proposed for addressing Governance add-ons, that is, a large degree of supervisory discretion seems to exist in the approach proposed to address governance deficiencies.</p> <p>It is impossible to eliminate supervisory discretion from a principles-based approach.</p>
28.	ROAM (Réunion des Organismes d'Assurance Mutuel)	General Comment	<p>ROAM approves the way of use of capital add-on:</p> <ul style="list-style-type: none"> capital add-on is used to correct a deficit situation capital add-on is used temporary, up to the implementation of a solution to fill the deficit ; <p>capital add-on is the ultimate solution, after a due process of analysis and discussions between supervisor and undertaking.</p> <p>ROAM emphasizes once again the major importance of the quality of the standard formula, which takes into account the main characteristics of the undertakings: long tail, specialization, etc. (see ROAM comments already formulated on this topic).</p> <p>Without an adequate standard formula, the use of a capital add-on will be inappropriate.</p> <p>In such case, the only solution for small sized undertakings will be to have recourse to an internal model, a real dead end because disproportionate regarding their available resources, as CEIOPS reminds rightly in the paragraph 3.247.</p> <p>And even if the company succeeds in implementing a management for its internal model, it will be necessary to send back this burden on its policyholders in increasing their insurance premium</p> <p>Noted.</p> <p>Agreed.</p> <p>CEIOPS is working on the standard formula with the obvious objective of having the best standard formula possible.</p> <p>However, CEIOPS notes that it is impossible to ensure that a standard formula will fit the risk profile of all undertakings using it. There will be cases where it leads to underestimation of risks, and these are the cases where the capital add-on comes into play.</p>

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			<p>ROAM wishes more details on the procedure regarding capital add-on instruction of the supervisor and the possible undertaking appeal:</p> <ol style="list-style-type: none"> 1. Justification of the calculation's details to set capital add-on; 2. Contradictory procedure between undertaking and supervisor in order to explain the legitimacy of the capital add-on and on its amount; 3. In case of disagreement, arbitration procedure with involvement of a third party (see 3.15-3.16) 	<p>In case a significant deviation cannot be solved through entity-specific parameters and requiring a (partial) internal model would be disproportionate, a capital add-on would be necessary.</p> <p>This is a relevant consideration that would be shared with the undertaking.</p> <p>The undertaking will have the opportunity to give its views including providing additional information that could change the supervisor's mind. However, how much additional arguing back and forth will and can be allowed on account of the timing issues to be considered is up to the supervisor to decide for each individual case.</p> <p>Any arbitration procedures are outside the scope of Solvency II. CEIOPS does not consider it necessary or useful to have an arbitration procedure for capital add-ons specifically.</p>

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29.	RSA Insurance Group PLC	General Comment	<p>The approach outlined is sensible and strikes the correct balance between explaining the general approach to be followed by supervisors, whilst recognising that almost every assessment will be different, i.e. it is not possible to provide regimented guidance.</p> <p>CEIOPS should not be bullied into providing detailed methodologies for add-ons. They should however police the add-ons by comparing and contrasting add-ons across Europe.</p>	Noted.
30.	RSA Insurance Ireland Ltd	General Comment	<p>The approach outlined is sensible and strikes the correct balance between explaining the general approach to be followed by supervisors, whilst recognising that almost every assessment will be different, i.e. it is not possible to provide regimented guidance.</p> <p>CEIOPS should not be bullied into providing detailed methodologies for add-ons. They should however police the add-ons by comparing and contrasting add-ons across Europe.</p>	Noted.
31.	RSA - Sun Insurance Office Ltd.	General Comment	<p>The approach outlined is sensible and strikes the correct balance between explaining the general approach to be followed by supervisors, whilst recognising that almost every assessment will be different, i.e. it is not possible to provide regimented guidance.</p> <p>CEIOPS should not be bullied into providing detailed methodologies for add-ons. They should however police the add-ons by comparing and contrasting add-ons across Europe.</p>	Noted.
32.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	General Comment	<p>The approach outlined is sensible and strikes the correct balance between explaining the general approach to be followed by supervisors, whilst recognising that almost every assessment will be different, i.e. it is not possible to provide regimented guidance.</p> <p>CEIOPS should not be bullied into providing detailed methodologies for add-ons. They should however police the add-ons by comparing and contrasting add-ons across Europe.</p>	Noted.
33.	XL Capital	General	In our view, CP57 offers a sensible approach to capital add-ons. We	Noted.

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	Ltd	Comment	would welcome further guidance from CEIOPS on how the approach to capital add-ons will be harmonised across the EU.	Further harmonisation will be provided through Level 3 guidance.	
34.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	1.7.	We strongly support the aim of promoting a high degree of supervisory convergence in the use of a capital add-on.		
35.	CEA, ECO-SLV-09-452	1.7.	We strongly support the aim of promoting a high degree of supervisory convergence in the use of capital add-ons.	Noted.	
36.	Groupe Consultatif	1.7.	We strongly welcome this commitment to a high degree of harmonisation.	Noted.	
37.	Munich RE	1.7.	CEIOPS perspective of explicitly calling for a high level of harmonisation is strongly supported.	Noted.	
38.	AAS BALTA	3.	Numbering is very confusing in this section!!!!	CEIOPS has rectified the numbering in its final version of the Level 2 Advice.	
39.	AB Lietuvos draudimas	3.	Numbering is very confusing in this section!!!!	See comment 38 above.	
40.	Association of British Insurers	3.	Principle 1 As acknowledged by CEIOPS in 3.5 and 3.6, "capital add-ons is a supervisory measure only to be used in 'exceptional circumstances'" as a "last resort measure", when other supervisory measures are considered to be ineffective or inappropriate". We believe this should be reflected in principle 1 and would suggest	Principle 1 deals just with the "objectives" of a capital add on. A statement on the last resort nature of this supervisory tool is contained in the Level 1 text already so that in CEIOPS' view there is no need for its inclusion	

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			the following redrafting of principle 1: "Setting a capital add-on is a supervisory power aimed at ensuring an adequate level of Solvency Capital Requirement (SCR), thereby protecting policyholders' interests and preserving a level playing field. A capital add-on is a last resort measure which can be considered when other supervisory measures are in effective or inappropriate".	in principle 1.	
41.					
42.					
43.					
44.	CEA, ECO-SLV- 09-452	3.	<p>Principle 1</p> <p>In our opinion the objective of a capital add-on should include that this power is a last resort measure and that it is to be applied when other supervisory measures are ineffective or inappropriate. We would propose the following redrafting of principle 1: "Setting a capital add-on is a supervisory power aimed at ensuring an adequate level of Solvency Capital Requirement (SCR), thereby protecting policyholders' interests and preserving a level playing field. A capital add-on cannot be used to punish an undertaking for not complying with requirements, but only to increase the SCR when policyholder's protection is at stake. A capital add-on is a last resort measure which can be considered when other supervisory measures are in effective or inappropriate".</p> <p>This would also be consistent with recital 17a.</p>	<p>See comment 40 above.</p> <p>Further explanation on why a capital add-on cannot be used as a measure of punishment is contained in para 3.5.</p>	
45.	DENMARK: Codan	3.	Numbering is very confusing in this section!!!!	See comment 38 above.	

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	Forsikring A/S (10529638)			
46.	German Insurance Association – Gesamtverband der D	3.	<p>Principle 1</p> <p>In our opinion the objective of a capital add-on should include that this power is a last resort measure and that it is to be applied when other supervisory measures are ineffective or inappropriate. We would propose the following redrafting of principle 1: "Setting a capital add-on is a supervisory power aimed at ensuring an adequate level of Solvency Capital Requirement (SCR), thereby protecting policyholders' interests and preserving a level playing field. A capital add-on cannot be used to punish an undertaking for not complying with requirements, but only to increase the SCR when policyholder's protection is at stake. A capital add-on is a last resort measure which can be considered when other supervisory measures are in effective or inappropriate".</p> <p>This would also be consistent with recital 17a.</p>	See comment 44 above.
47.	Link4 Towarzystw o Ubezpieczeń SA	3.	Numbering is very confusing in this section!!!!	See comment 38 above.
48.				
49.	NORWAY: Codan Forsikring (Branch	3.	Numbering is very confusing in this section!!!!	See comment 38 above.

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50.	RSA Insurance Group PLC	3.	Numbering is very confusing in this section!!!!		See comment 38 above.
51.	RSA Insurance Ireland Ltd	3.	Numbering is very confusing in this section!!!!		See comment 38 above.
52.	RSA - Sun Insurance Office Ltd.	3.	Numbering is very confusing in this section!!!!		See comment 38 above.
53.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.	Numbering is very confusing in this section!!!!		See comment 38 above.
54.	XL Capital Ltd	3.	We agree with the provisions in section 3, and in particular sections 3.5, 3.6 and 3.7 which specify that capital add-ons are exceptional measures which are to be applied as last resort measures, pending rectification of the risk profile assessment or governance arrangements		Noted.
55.	AAS BALTA	3.1.	Agree with Principle 1.		Noted.
56.	AB Lietuvos draudimas	3.1.	Agree with Principle 1.		Noted.
57.	DENMARK: Codan Forsikring A/S (10529638)	3.1.	Agree with Principle 1.		Noted.

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58.	Link4 Towarzystw o Ubezpieczeń SA	3.1.	Agree with Principle 1.		Noted.
59.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.1.	Agree with Principle 1.		Noted.
60.	Pearl Group Life	3.1.	<p>Principle 1</p> <p>As acknowledged by CEIOPS in 3.5 and 3.6, "capital add-ons is a supervisory measure only to be used in 'exceptional circumstances'" as a "last resort measure", when other supervisory measures are considered to be ineffective or inappropriate".</p> <p>We believe this should be reflected in principle 1 and would suggest the following redrafting of principle 1: "Setting a capital add-on is a supervisory power aimed at ensuring an adequate level of Solvency Capital Requirement (SCR), thereby protecting policyholders' interests and preserving a level playing field. A capital add-on is a last resort measure which can be considered when other supervisory measures are in effective or inappropriate".</p>		See comment 40 above.
61.	Pricewaterho useCoopers LLP	3.1.	We agree with the classifications of add-on and believe that maintaining two overall classifications will support the objective of supervisory convergence.		Noted.
62.	RSA Insurance Group PLC	3.1.	Agree with Principle 1.		Noted.

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63.	RSA Insurance Ireland Ltd	3.1.	Agree with Principle 1.	Noted.
64.	RSA - Sun Insurance Office Ltd.	3.1.	Agree with Principle 1.	Noted.
65.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.1.	Agree with Principle 1.	Noted.
66.	AAS BALTA	3.2.	Agree there should be risk profile and governance add-ons.	Noted.
67.	AB Lietuvos draudimas	3.2.	Agree there should be risk profile and governance add-ons.	Noted.
68.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.2.	Aim in case of deviation from risk profile embedded in the SCR = Ensure that the SCR corresponds to the level of 99.5%	
69.	Association of British Insurers	3.2.	We agree with CEIOPS capital add-ons should not replace other measures such as the use of entity specific parameters should be considered first, before any capital add-on is applied.	Noted.
70.				
71.				
72.				
73.	CEA,	3.2.	The use of undertaking specific parameters should be an option	

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	ECO-SLV-09-452		<p>available to undertakings.</p> <p>In this paragraph Ceiops is mentioning the possible use of undertaking specific parameters as additional to improvements in (partial) internal models or the development of (partial) internal models. However in other advice Ceiops have proposed to remove the use of undertaking specific parameters. In our opinion the use of undertaking specific parameters should be retained by changing the proposals of the other CPs (especially CP48). See also our responses to CP48 and to CP50.</p>	<p>The use of undertakings specific parameters is already allowed under Article 104(7) in conjunction with recital 14b of the Level 1 text. On the other hand, <i>the supervisory authorities may, according to Article 108bis of the Level 1 text, require the undertakings concerned to replace a subset of the parameters used in the standard formula calculation by parameters specific to those undertakings. Before the undertaking fulfil all the conditions for use of its specific parameters as laid down in Article 104(7) of the Level 1 text, setting a capital add-on should ensure that the SCR corresponds to the confidence level of 99.5% over a one-year period.</i></p>	
74.	CRO Forum	3.2.	<p>The CRO Forum is unclear on how supervisors will allow for all the different permutations of internal model structure, confidence interval risk measures, modelling and calibration methodologies to apply consistent capital add-ons between firms and across member states.</p> <p>We do not believe that benchmarking capital add-ons to the capital requirements implied by standard formula across entities will be a robust enough measure to ensure consistency is achieved.</p>	<p>Further criteria specifying the application of the capital add-on with respect to the different internal model structures will be developed on Level 3.</p> <p>Noted.</p>	
75.	DENMARK:	3.2.	Agree there should be risk profile and governance add-ons.	Noted.	

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	Codan Forsikring A/S (10529638)				
76.	German Insurance Association – Gesamtverband der D	3.2.	<p>The use of undertaking specific parameters should be an option available to undertakings.</p> <p>In this paragraph CEIOPS is mentioning the possible use of undertaking specific parameters as additional to improvements in (partial) internal models or the development of (partial) internal models. However in the other advice CEIOPS have proposed to remove the use of undertaking specific parameters. In our opinion the use of undertaking specific parameters should be retained by changing the proposals of the other CP (especially CP48). See also our responses to CP48 and to CP50.</p>	See comment 73 above.	
77.	Link4 Towarzystw o Ubezpieczeń SA	3.2.	Agree there should be risk profile and governance add-ons.	Noted.	
78.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.2.	Agree there should be risk profile and governance add-ons.	Noted.	
79.	Pearl Group Life	3.2.	We agree with CEIOPS capital add-ons should not replace other measures such as the use of entity specific parameters should be considered first, before any capital add-on is applied.	Noted.	
80.	RSA Insurance	3.2.	Agree there should be risk profile and governance add-ons.	Noted.	

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	Group PLC				
81.	RSA Insurance Ireland Ltd	3.2.	Agree there should be risk profile and governance add-ons.	Noted.	
82.	RSA - Sun Insurance Office Ltd.	3.2.	Agree there should be risk profile and governance add-ons.	Noted.	
83.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.2.	Agree there should be risk profile and governance add-ons.	Noted.	
84.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.3.	Aim in case of governance add on = Protect policyholders' interests in case of governance capital add-on		
85.	Lloyd's	3.3.	<p>Principle 1 - objective of a capital add-on</p> <p>The supervisory power to impose a capital add-on should only be used as a last resort measure, when other supervisory measures are ineffective or inappropriate.</p> <p>We therefore propose that principle 1 should be amended to: "Setting a capital add-on is a supervisory power, to be only used as a last resort measure when other supervisory measures are ineffective or inappropriate, aimed at ensuring an adequate level of Solvency Capital Requirement (SCR), thereby protecting policyholders' interests and preserving a level playing field."</p>	See comment 40 above.	

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86.	Pearl Group Life	3.3.	NB Numbering is wrong in paper it reverts to 3.1 after 3.3	See comment 38 above.	
87.	AAS BALTA	3.4.	Fully agree add-ons are "corrective and not punitive measures"	Noted.	
88.	AB Lietuvos draudimas	3.4.	Fully agree add-ons are "corrective and not punitive measures"	Noted.	
89.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.4.	Corrective and not punitive measure We strongly support this statement		
90.	Association of British Insurers	3.4.	We agree with CEIOPS that "the power to set a capital add-on is used as a corrective not as a punitive measure".	Noted.	
91.					
92.					
93.					
94.	CEA, ECO-SLV-09-452	3.4.	We agree with Ceiops that "the power to set a capital add-on is used as a corrective not as a punitive measure".	Noted.	
95.	DENMARK: Codan Forsikring A/S (10529638)	3.4.	Fully agree add-ons are "corrective and not punitive measures"	Noted.	
96.	FFSA	3.4.			

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97.	GROUPAMA	3.4.		
98.	Link4 Towarzystw o Ubezpieczeń SA	3.4.	Fully agree add-ons are "corrective and not punitive measures"	Noted.
99.	Lloyd's	3.4.	We agree that the power to set a capital add-on should be used as a corrective and not as a punitive measure.	Noted.
100.	Munich RE	3.4.	We agree with CEIOPS that "the power to set a capital add-on is used as a corrective not as a punitive measure".	Noted.
101.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.4.	Fully agree add-ons are "corrective and not punitive measures"	Noted.
102.	Pearl Group Life	3.4.	We agree with CEIOPS that "the power to set a capital add-on is used as a corrective not as a punitive measure".	Noted.
103.	Pricewaterho useCoopers LLP	3.4.	It is unclear when transitional arrangements between Solvency I (or ICAS in the UK) to Solvency II will be addressed.	Obviously transitional arrangements become obsolete once Solvency II is implemented.
104.	RSA Insurance Group PLC	3.4.	Fully agree add-ons are "corrective and not punitive measures"	Noted.
105.	RSA Insurance Ireland Ltd	3.4.	Fully agree add-ons are "corrective and not punitive measures"	Noted.

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106.	RSA - Sun Insurance Office Ltd.	3.4.	Fully agree add-ons are "corrective and not punitive measures"	Noted.	
107.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.4.	Fully agree add-ons are "corrective and not punitive measures"	Noted.	
108.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.5.	Only to be used in exceptional circumstances We strongly support this statement	Noted	
109.			Confidential comment deleted		
110.					
111.	CRO Forum	3.5.	The use of the words "to be used in exceptional circumstances" is unclear. Please provide more clarity about what 'exceptional circumstances are. In the early phase of Solvency II, our expectation is for more frequent instances of capital add-ons rather than less - particularly if the process is likely to mirror the roll-out of capital add-ons as part of the UK Life Insurance industry ICAS regime.	CEIOPS has explained this term fully in the CP. "Exceptional" does not refer to the frequency of setting add-ons but to the specific circumstances laid down as preconditions for the setting of an capital add-on in Article 37.	
112.					
113.					
114.	ACA –	3.6.	Last resort measure		

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	ASSOCIATION DES COMPAGNIES D'ASSURANCES DU		We strongly support this statement		
115.			Confidential comment deleted		
116.	CRO Forum	3.6.	The CRO forum supports the intention to use capital add-ons as a "last resort measure". Please provide more clarity around how supervisors will ensure that this process is actually followed and demonstrated?	This requirement is automatically complied with through supervisors only setting a capital add-on if the conditions laid down in Article 37 are met.	
117.	Munich RE	3.6.	We strongly support the intention, that a capital add-on is a last resort measure when other supervisory measures are in effective or inappropriate	Noted.	
118.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.7.	Transitory We strongly support this statement		
119.	CRO Forum	3.7.	We support to aim for a 'transitory nature' of capital add-ons.	Noted.	
120.	Groupe Consultatif	3.8.	We strongly support the acknowledgement in this and the succeeding three paragraphs of the importance of a harmonised due process for capital add-ons.	Noted.	
121.	PricewaterhouseCoopers LLP	3.8.	CEIOPS envisages that using harmonised principles on supervisory review processes will help supervisory convergence. This is likely to take a number of years from the date Solvency II is implemented due to the time elapse from implementation date to	Correct.	

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			SRP including consistency of supervisory actions.	
122.	CEA, ECO-SLV- 09-452	3.10.	We would like Ceiops to make clear that a situation where a supervisor considers the application of a capital add-on is always an extraordinary situation in which all relevant information needs to be considered. Therefore it is not a question of a full or partial review but a question of whether the overall SCR is significantly affected. To assess whether this is the case the supervisor should consider both over and underestimated risks when it comes to risk profile capital add-ons. With regards to governance capital add-ons, the supervisor should consider the impact of the governance deficiency on the overall governance system.	See comment 4 above. Noted.
123.	Munich RE	3.10.	We would CEIOPS like to make clear that a situation where a supervisor considers an add-on is always an extraordinary situation where all information needs to be considered that might influence the need for a capital add-on. Therefore it is not a question of a full or partial review. It is the question of whether the overall SCR is significantly affected. To assess this information over and underestimated risks shall be considered when it comes to risk profile add-ons. In the case of governance add-ons the supervisor has to consider the overall impairment of the deficiency with regard to the system of governance.	See comment 4 above. Noted.
124.	AAS BALTA	3.12.	Wording is confusing here. I think the implication is the add-on won't make procyclicality worse. However it reads as if an add-on will solve procyclicality "are sufficient to tackle the issue of procyclicality"	CEIOPS has clarified the text. It considers procyclicality not to be a consideration in the decision of whether to set a capital add-on as procyclicality considerations in market stress situations can be adequately addressed by other measures such as the use of Article 136(3a).

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125.	AB Lietuvos draudimas	3.12.	Wording is confusing here. I think the implication is the add-on won't make procyclicality worse. However it reads as if an add-on will solve procyclicality "are sufficient to tackle the issue of procyclicality"	See comment 124 above.	
126.	DENMARK: Codan Forsikring A/S (10529638)	3.12.	Wording is confusing here. I think the implication is the add-on won't make procyclicality worse. However it reads as if an add-on will solve procyclicality "are sufficient to tackle the issue of procyclicality"	See comment 124 above.	
127.	Link4 Towarzystwo Ubezpieczeń SA	3.12.	Wording is confusing here. I think the implication is the add-on won't make procyclicality worse. However it reads as if an add-on will solve procyclicality "are sufficient to tackle the issue of procyclicality"	See comment 124 above.	
128.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.12.	Wording is confusing here. I think the implication is the add-on won't make procyclicality worse. However it reads as if an add-on will solve procyclicality "are sufficient to tackle the issue of procyclicality"	See comment 124 above.	
129.	RSA Insurance Group PLC	3.12.	Wording is confusing here. I think the implication is the add-on won't make procyclicality worse. However it reads as if an add-on will solve procyclicality "are sufficient to tackle the issue of procyclicality"	See comment 124 above.	
130.	RSA Insurance Ireland Ltd	3.12.	Wording is confusing here. I think the implication is the add-on won't make procyclicality worse. However it reads as if an add-on will solve procyclicality "are sufficient to tackle the issue of procyclicality"	See comment 124 above.	
131.	RSA - Sun Insurance	3.12.	Wording is confusing here. I think the implication is the add-on won't make procyclicality worse. However it reads as if an add-on	See comment 124 above.	

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	Office Ltd.		will solve procyclicality "are sufficient to tackle the issue of procyclicality"		
132.	SWEDEN: Trygg-Hansa Försäkrings AB (516401- 7799)	3.12.	Wording is confusing here. I think the implication is the add-on won't make procyclicality worse. However it reads as if an add-on will solve procyclicality "are sufficient to tackle the issue of procyclicality"		See comment 124 above.
133.	XL Capital Ltd	3.12.	We find it extremely important for all EU regulators to adopt a consist approach to capital add-on.		Noted.
134.	ACA – ASSOCIATIO N DES COMPAGNIE S D'ASSURAN CES DU	3.13.	The process of setting a capital add-on should be harmonised as far as possible. We strongly support this statement		
135.	Association of British Insurers	3.13.	The process of setting a capital add-on should be harmonised as far as possible. We strongly support this statement. Whilst outcomes and levels of capital add-ons will differ from one case to another, it is important to ensure harmonised steps and procedures for the setting of a capital add-on.		Noted.
136.					
137.					
138.					
139.	CEA, ECO-SLV- 09-452	3.13.	The process of setting a capital add-on should be harmonised as far as possible. We strongly support this statement. Whilst outcomes and levels of		Noted.

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			capital add-ons will differ from one case to another, it is important to ensure harmonised steps and procedures for the setting of a capital add-on.		
140.	CRO Forum	3.13.	<p>As well as convergence in the circumstances under which a capital add-on should be set, we feel there should be convergence / harmonisation with respect to the methodology used to calculate the capital add-on between supervisors of different member states. How will supervisors actually ensure that the principle of a "level playing field" approach is applied?</p> <p>How will communication to wider industry be managed to ensure the appropriate level of transparency?</p> <p>It would be useful to understand what timelines are being considered for the additional guidance to be issued in this area.</p>	<p>Level 3 guidance and co-operation between supervisors through the exchange of information are the tools to enhance the level playing field.</p> <p>Supervisory practices will be subject to disclosure according to Article 30.</p> <p>As the practical importance of the issue is low when compared to other issues arising in connection with the Solvency II implementation, the development of additional guidance on capital add-ons is not a high priority issue.</p>	
141.	Lloyd's	3.13.	We agree that the process of setting a capital add-on should be harmonised as far as possible.	Noted.	
142.	Munich RE	3.13.	<p>The process of setting a capital add-on should be harmonised as far as possible.</p> <p>We strongly support this statement. But how will supervisors actually insure that that the principle of a level playing field is applied.</p>	Noted.	
143.	Pearl Group	3.13.	The process of setting a capital add-on should be harmonised as far		

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	Life		<p>as possible.</p> <p>We strongly support this statement. Whilst outcomes and levels of capital add-ons will differ from one case to another, it is important to ensure harmonised steps and procedures for the setting of a capital add-on.</p>	Noted.	
144.	XL Capital Ltd	3.13.	See 3.12. We would welcome more advice from CEIOPS on how to harmonise capital add-on rules within the EU.	CEIOPS will provide further guidance on Level 3 on this issue in due time.	
145.	CEA, ECO-SLV-09-452	3.15.	<p>Undertakings should have a possibility to present additional information in response to concerns and measures from the supervisory authorities.</p> <p>We therefore propose that point c of paragraph 3.15 is amended as follows:</p> <p>"That any relevant conclusion or measure by the supervisory authority has been shared with the undertaking concerned, and that the undertaking has been given the opportunity to present its views on these conclusions or measures within an appropriate timeframe. Presenting its views should include a possibility to provide additional information to the supervisory authority. What is to be considered "appropriate timeframe" in this context is not only influenced by what is fair to the undertaking but also by how urgent the situation is from the point of view of policyholders' protection."</p>	"Presenting its views" includes the possibility to provide additional information.	
146.	German Insurance Association – Gesamtverb and der D	3.15.	<p>Undertakings should have a possibility to present additional information in response to concerns and measures from the supervisory authorities.</p> <p>We therefore propose that point c of paragraph 3.15 is amended as follows:</p>	See comment 145 above.	

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			<p>"That any relevant conclusion or measure by the supervisory authority have been shared with the undertaking concerned, and that the undertaking has been given the opportunity to present its views on these conclusions or measures within an appropriate timeframe. Presenting its views should include a possibility to provide additional information to the supervisory authority. What is to be considered "appropriate timeframe" in this context is not only influenced by what is fair to the undertaking but also by how urgent the situation is from the point of view of policyholders' protection."</p>	
147.	Groupe Consultatif	3.15.	We agree with these proposed attributes of due process.	Noted.
148.	Lloyd's	3.15.	<p>As part of the due process for setting a capital add-on, undertakings should be allowed the opportunity to present any additional information in response to concerns or proposed measures by the supervisory authority.</p> <p>Paragraph (c) could be amended to:</p> <p>"That any relevant conclusion or measure by the supervisory authority have been shared with the undertaking concerned, and that the undertaking has been given the opportunity to present its views on, including any additional information in response to, these conclusions or measures within an appropriate timeframe. What is to be considered "appropriate timeframe" in this context is not only influenced by what is fair to the undertaking but also by how urgent the situation is from the point of view of policyholders' protection."</p>	See comment 145 above.
149.				
150.	ROAM (Réunion des	3.15.	ROAM wishes more details on the procedure regarding capital add-on instruction of the supervisor and the possible undertaking appeal:	The appeal process follows each Member State's appeal process system but includes elements

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	Organismes d'Assurance Mutuel		<p>1. Justification of the calculation's details to set capital add-on;</p> <p>2. Contradictory procedure between undertaking and supervisor in order to explain the legitimacy of the capital add-on and on its amount ;</p> <p>3. In case of disagreement, arbitration procedure with involvement of a third party</p>	described in text.	<p>The introduction of an arbitration procedure is outside the scope of Solvency II and would not fit into the legal system of most Member States. Anyhow, CEIOPS would like to stress that the power to set a capital add-on is nothing "special" and not even the most drastic measure with regard to impact on the undertaking a supervisor could take. There is really no good reason why the exercise of the power should follow different procedures.</p>
151.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.16.	The appeal process is more important in the case of an add-on considering the disclosure about such an add-on		
152.			Confidential comment deleted		
153.	CRO Forum	3.16.	There is no possibility to appeal a capital add-on, as currently written in this CP. The process and timeframe for such an appeal should be clearly defined. We recommend that CEIOPS plays a key role in this procedure of appeal in case no agreement can be found between the undertaking and the supervisor and that CEIOPS plays an active role in the validation of the capital add-on proposed by a local supervisor, in order to foster harmonized practices across the	The paper does not explain or advise that capital add-ons should be set without possible appeal. CEIOPS just explains that setting a capital add-on is a supervisory measure like any other; as a result, the appeal process linked	

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			EU.		to capital add-ons should not be different. A possible intervention of the CEIOPS in an individual procedure is not in line with the level 1 text and hence cannot be included in CEIOPS advice.
154.	FFSA	3.16.	No indication is given in this CP on the possibility to appeal a capital add-on. The process and timeframe for such an appeal should be clearly defined. FFSA recommends that CEIOPS plays a key role in this procedure of appeal in case no agreement can be found between the undertaking and the supervisor. In addition, FFSA recommends that CEIOPS plays an active role in the validation of the capital add-on proposed by a local supervisor, in order to foster harmonized practices across the EU		See comment 153 above.
155.	ROAM (Réunion des Organismes d'Assurance Mutuel	3.16.	See also 3.15		See comment 150 above.
156.	AAS BALTA	3.19.	Principle 3 correctly states "only significant" deviations should result in an add-on. Agree with CEIOPS view not to base a capital add-on on non-compliance with Level 3 guidance – keep requirements at Level 1 & 2.		Significant deviations could result in a capital add-on, but any deviation should be considered (and fixed) by the undertaking. Noted.
157.	AB Lietuvos draudimas	3.19.	Principle 3 correctly states "only significant" deviations should result in an add-on. Agree with CEIOPS view not to base a capital add-on on non-compliance with Level 3 guidance – keep requirements at Level 1 & 2.		See comment 156 above.

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158.					
159.	Association of British Insurers	3.19.	We agree with CEIOPS it should not be possible to base a capital add-on on non compliance with level 3 guidance which is not legally binding.	Noted.	
160.					
161.					
162.					
163.	CEA, ECO-SLV-09-452	3.19.	It is not possible to base a capital add-on on non-compliance with Level 3 guidance. We strongly support this paragraph. It is important to give sufficient detail at Level 2; the purpose of Level 3 is to give further guidance and not give legally binding requirements to undertakings.	Noted.	
164.	DENMARK: Codan Forsikring A/S (10529638)	3.19.	Principle 3 correctly states "only significant" deviations should result in an add-on. Agree with CEIOPS view not to base a capital add-on on non-compliance with Level 3 guidance – keep requirements at Level 1 & 2.	See comment 156 above.	
165.	Groupe Consultatif	3.19.	We agree in principle that the need for a capital add-on should be assessed by reference to Level 1 and Level 2 requirements only.	See comment 156 above.	
166.	Link4 Towarzystw o Ubezpieczeń SA	3.19.	Principle 3 correctly states "only significant" deviations should result in an add-on. Agree with CEIOPS view not to base a capital add-on on non-compliance with Level 3 guidance – keep requirements at Level 1 & 2.	See comment 156 above.	

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167.					
168.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.19.	Principle 3 correctly states "only significant" deviations should result in an add-on. Agree with CEIOPS view not to base a capital add-on on non-compliance with Level 3 guidance – keep requirements at Level 1 & 2.		See comment 156 above.
169.	Pearl Group Life	3.19.	We agree with CEIOPS it should not be possible to base a capital add-on on non compliance with level 3 guidance which is not legally binding.		Noted.
170.	RSA Insurance Group PLC	3.19.	Principle 3 correctly states "only significant" deviations should result in an add-on. Agree with CEIOPS view not to base a capital add-on on non-compliance with Level 3 guidance – keep requirements at Level 1 & 2.		See comment 156 above.
171.	RSA Insurance Ireland Ltd	3.19.	Principle 3 correctly states "only significant" deviations should result in an add-on. Agree with CEIOPS view not to base a capital add-on on non-compliance with Level 3 guidance – keep requirements at Level 1 & 2.		See comment 156 above.
172.	RSA - Sun Insurance Office Ltd.	3.19.	Principle 3 correctly states "only significant" deviations should result in an add-on. Agree with CEIOPS view not to base a capital add-on on non-compliance with Level 3 guidance – keep requirements at Level 1 & 2.		See comment 156 above.
173.	SWEDEN: Trygg-Hansa Försäkrings	3.19.	Principle 3 correctly states "only significant" deviations should result in an add-on. Agree with CEIOPS view not to base a capital add-on on non-		See comment 156 above.

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	AB (516401-7799)		compliance with Level 3 guidance – keep requirements at Level 1 & 2.		
174.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.20.	<p>To be clarified: situations outside the Supervisory Review Process which could lead to a deviation study.</p> <p>Article 37 of the level 1 text specifies that the add-on process begins following the Supervisory review process.</p> <p>The extension to other circumstances is in contradiction with this text.</p>		
175.	Association of British Insurers	3.20.	As stated in the Level 1 text (article 37), “following the supervisory review process supervisory authorities may in exceptional circumstances set a capital add-on for an insurance or reinsurance undertaking by a decision stating the reasons”, the process for setting a capital add-on should be linked to the supervisory review process. Capital add-ons should not normally be set in other circumstances.	CEIOPS does not see the SRP as a set of certain supervisory assessments and reviews that have a specific starting and end point. The SRP is the continuous supervisory process of gathering and processing information, doing assessments and reviews. As such there are no “other circumstances” since every setting of a capital add-on follows a supervisory assessment and the wording “following the SRP” does not serve well as a distinction between situations that could lead to a capital add-on and others that could not.	
176.					
177.					
178.					
179.	CEA,	3.20.	The circumstances under which a process for identification of a	See comment 175 above.	

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	ECO-SLV-09-452		<p>capital add-on starts need to be clearly defined.</p> <p>The text seems to imply that there could be situations outside the Supervisory Review Process where a capital add-on could be identified (use of "normally" in the first sentence and "furthermore" in the last one). It is unclear to us in what circumstances, outside the SRP, significant deviations could be identified by supervisors. As stated in the Level 1 text (article 37), "following the supervisory review process supervisory authorities may in exceptional circumstances set a capital add-on for an insurance or reinsurance undertaking by a decision stating the reasons". The process for setting a capital add-on is always linked. See also our comments to 3.21.</p>	
180.	German Insurance Association – Gesamtverb and der D	3.20.	<p>The circumstances under which a process for identification of a capital add-on starts need to be clearly defined.</p> <p>The text seems to imply that there could be situations outside the Supervisory Review Process where a capital add-on could be identified (use of "normally" in the first sentence and "furthermore" in the last one). It is unclear to us in what circumstances, outside the SRP, significant deviations could be identified by supervisors. As stated in the Level 1 text (article 37), "following the supervisory review process supervisory authorities may in exceptional circumstances set a capital add-on for an insurance or reinsurance undertaking by a decision stating the reasons". The process for setting a capital add-on is always linked. See also our comments to 3.21.</p>	See comment 175 above.
181.	Groupe Consultatif	3.20.	<p>We agree in principle that possible need for capital add-ons should be identified as part of the SRP (including targeted partial SRP). We suggest however that more explanation and examples of how this would happen in practice are desirable.</p>	CEIOPS has changed the text to clarify the point about the SRP. See also comment 175 above. The change of the text and the explanation provided should serve

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					to show that examples are really irrelevant.
182.	Lloyd's	3.20.	The Framework Directive, Article 37 states that "following the supervisory review process supervisory authorities may in exceptional circumstances set a capital add-on for an insurance or reinsurance undertaking by a decision stating the reasons." The second sub-paragraph of the paper suggests that there are situations where the process of identification of a deviation, which could lead to a capital add-on being set, may start outside the supervisory review process. It would be helpful for CEIOPS to provide details of such situations.		See comment 175 above.
183.	Pearl Group Life	3.20.	As stated in the Level 1 text (article 37), "following the supervisory review process supervisory authorities may in exceptional circumstances set a capital add-on for an insurance or reinsurance undertaking by a decision stating the reasons", the process for setting a capital add-on should be linked to the supervisory review process. Capital add-ons should not normally be set in other circumstances.		See comment 175 above.
184.	XL Capital Ltd	3.20.	We agree that Capital add-ons should only be set as a result of the Supervisory Review Process, and not in other circumstances.		See comment 175 above.
185.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.21.	Article 37 of the level 1 text specifies that the add-on process begins following the Supervisory review process. The extension to other circumstances is in contradiction with this text.		See comment 175 above.
186.	Association of British Insurers	3.21.	See comments under 3.21. Capital add-ons should not normally be set in other circumstances than the SRP.		See comment 175 above.

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187.					
188.					
189.					
190.	CEA, ECO-SLV- 09-452	3.21.	<p>See our comments on 3.20. In 3.9 and 3.10 Ceiops refer to the SRP. Paragraph 3.21 implies that capital add-ons can also be considered in other circumstances e.g. as a response to supervisory enquiry. This is not in line with the Level 1 text.</p> <p>Furthermore, the ways by which a risk profile capital add-on could be identified listed in 3.21 (e.g. stress tests, supervisory enquiries) should not lead to additional onerous reporting requirements for the supervised undertakings.</p>	See comment 175 above.	
191.	Munich RE	3.21.	The proposed way of detecting risk profile deviations by ratios stress tests or supervisory enquiries should not lead to additional onerous reporting requirements.	See comment 175 above.	
192.	Pearl Group Life	3.21.	Capital add-ons should not normally be set in other circumstances than the SRP.	See comment 175 above.	
193.	ACA – ASSOCIATIO N DES COMPAGNIE S D'ASSURAN CES DU	3.22.	Because the standard formula is an approximation designed to fit a very wide range of companies, it is right that calibration is more conservative. As the standard formula is a prudent estimation of the risks it covers, which might overestimate the amount of capital to be held in a number of cases, this should compensate for the fact that all the risks might not be captured.		
194.			Confidential comment deleted		
195.	CEA,	3.22.	The standard formula covers the majority of quantifiable risks.	The standard formula covers the	

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	ECO-SLV-09-452		<p>If there are risks which are not covered or not covered adequately then a company will need to explain what these are, through the ORSA in particular. Should Ceiops believe there is a major risk category missing then we would want to work with them in advance of QIS5 to address this.</p> <p>Because the standard formula is an approximation designed to fit a very wide range of companies, it is right that calibration is more conservative. As the standard formula is a prudent estimation of the risks it covers, which might overestimate the amount of capital to be held in a number of cases, this should compensate for the fact that all the risks might not be captured.</p>	<p>risks that are quantifiable through a standard formula. Other risk are only quantifiable on an individual basis, e.g. through an internal model. Hence these risks should be addressed by quantitative measures, i.e. a risk profile capital add-on, rather than by qualitative measures or ultimately, if these qualitative measures are not adequate, by a governance capital add-on.</p> <p>The calibration is not "conservative". And it would go against the principle of a risk-based SCR if some quantifiable risks were generally ignored in the hope that the standard formula may still be sufficient to cover them too.</p> <p>So if the undertaking or the supervisor deems it necessary to consider other risks in order to compute a correct VaR, it should be done.</p>	
196.	CRO Forum	3.22.	<p>How will supervisors determine suitable benchmarks for risks that are outside those covered by the standard formula?</p> <p>For those risks that are not easily quantifiable and uncertainty exists as to the theoretical level for a 99.5% VaR over one year, we</p>	<p>This will have to be subject to a case-by-case assessment.</p>	

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			recommend further guidance to ensure firms are not unduly penalised.		
197.	German Insurance Association – Gesamtverband der D	3.22.	<p>The standard formula covers the majority of quantifiable risks.</p> <p>If there are risks which are not covered or not covered adequately then a company will need to explain what these are, through the ORSA in particular. Should CEIOPS believe there is a major risk category missing then we would want to work with them in advance of QIS5 to address this.</p> <p>Because the standard formula is an approximation designed to fit a very wide range of companies, it is right that calibration is more conservative. As the standard formula is a prudent estimation of the risks it covers, which might overestimate the amount of capital to be held in a number of cases, this should compensate for the fact that all the risks might not be captured.</p>	See comment 195 above.	
198.	AAS BALTA	3.23.	Agree "it is not advisable" to have a list of quantifiable risks.	Noted.	
199.	AB Lietuvos draudimas	3.23.	Agree "it is not advisable" to have a list of quantifiable risks.	Noted.	
200.			Confidential comment deleted		
201.	CEA, ECO-SLV-09-452	3.23.	See comment to 3.22. We agree with Ceiops that there should not be a list of quantifiable risks at Level 2.	Noted.	
202.	CRO Forum	3.23.	The CRO Forum agrees that the risk environment is dynamic, however does not agree that the issue of developing a "list of quantifiable risks" should be assigned to Level 3 guidance as this is very late in the process to be doing this. Especially with an eye to internal model approval and the final testing of the set-up of the standard model in QIS5.	The point of the list of quantifiable risks is to identify the risks that are not covered by the standard formula in order to take them into account in the SCR. It is however not intended to include these additional quantifiable risks in the standard	

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				formula as all quantifiable risks suitable for standardised calculation are already taken into account.	
203.	DENMARK: Codan Forsikring A/S (10529638)	3.23.	Agree "it is not advisable" to have a list of quantifiable risks.		Noted.
204.	Link4 Towarzystw o Ubezpieczeń SA	3.23.	Agree "it is not advisable" to have a list of quantifiable risks.		Noted.
205.	Lloyd's	3.23.	We agree that there should be a common view regarding which risks are quantifiable. However, to ensure maximum supervisory convergence we believe that an initial list of quantifiable risks should be available at Level 2; this list to be updated regularly as part of Level 3 guidance as the risk environment changes and more data is available.		See comment 195 above.
206.	Munich RE	3.23.	We strongly believe that the progress made did not support the hypothesis that certain quantifiable risks are not considered yet. Instead we refer to Pillar 2 and the ORSA process where any significant risk – not yet considered in the SCR calculation - will be dealt with appropriately. There is no need to further discuss such a list.		See comment 195 above.
207.	NORWAY: Codan	3.23.	Agree "it is not advisable" to have a list of quantifiable risks.		See comment 195 above.

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	Forsikring (Branch Norway) (991 502)				
208.	RSA Insurance Group PLC	3.23.	Agree "it is not advisable" to have a list of quantifiable risks.		See comment 195 above.
209.	RSA Insurance Ireland Ltd	3.23.	Agree "it is not advisable" to have a list of quantifiable risks.		See comment 195 above.
210.	RSA - Sun Insurance Office Ltd.	3.23.	Agree "it is not advisable" to have a list of quantifiable risks.		See comment 195 above.
211.	SWEDEN: Trygg-Hansa Försäkrings AB (516401- 7799)	3.23.	Agree "it is not advisable" to have a list of quantifiable risks.		See comment 195 above.
212.	XL Capital Ltd	3.23.	We would welcome more detail from CEIOPS on how risks will be categorised between quantifiable and non-quantifiable.		TBC Level 3.
213.	ACA – ASSOCIATIO N DES COMPAGNIE S D'ASSURAN CES DU	3.24.	See our comments on 3.20 and 3.21.		Noted
214.	CEA, ECO-SLV-	3.24.	See our comments on 3.20 and 3.21.		See comment 179 above.

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215.	Groupe Consultatif	3.26.	Some further explanation and examples would be helpful here.		Risks can be taken into account quantitatively or qualitatively, i.e. via capital or via risk management requirements. Where additional risks are not covered by additional capital requirements on account of the risks no resulting in significant deviations of the risk profile, they should be appropriately considered via qualitative measures.
216.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.27.	Footnote 7 should be part of the explanatory text in 3.27 and not a footnote.		
217.	Association of British Insurers	3.27.	We fully agree with this statement.		Noted.
218.					
219.					
220.					
221.	CEA, ECO-SLV-09-452	3.27.	We fully support this paragraph. Please see our comments on 3.2 for ensuring consistency with other CPs on the use of entity specific parameters.		Noted.

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			<p>We would also like to stress that the standard formula is to be applied by default: the supervisor is in charge of evidencing that the standard formula does not comply with the risk profile of the undertaking.</p> <p>Footnote 7 should be part of the explanatory text in 3.27 and not a footnote.</p>	<p>Noted.</p> <p>CEIOPS disagrees. The point made is important to understand CEIOPS' view but has no practical impact on the setting of capital add-ons.</p>
222.	CRO Forum	3.27.	<p>"Where the deviation is considered to be significant, supervisory authorities should consider other possible and adequate tools before setting a capital add-on, i.e. use of entity-specific parameters, change of risk profile or development of a partial or full internal model."</p> <p>The CRO forum supports the use of other adequate measures (such as changing the risk profile, using entity specific parameters or implementing partial / internal model) before setting capital add-on.</p> <p>We also want to emphasize the need to apply the standard formula by default; the supervisor should need to evidence situations where the standard formula does not appropriately capture the risk profile of the undertaking.</p> <p>Does this paragraph imply that entity specific parameters in effect lead to a permanent capital add-on? How would these be justified and calculated?</p>	<p>Noted.</p> <p>Noted. See comment 9 above.</p> <p>The use of an entity-specific parameter would be permanent and would increase the amount of the SCR. This is however not a capital add-on within the meaning of Article 37 and would accordingly not need to be disclosed as a capital add-on in</p>

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				the SFCR.	
223.	FFSA	3.27.	<p>FFSA fully supports preliminary measures envisaged (such as changing the risk profile, using entity specific parameters or implementing partial / internal model) before setting capital add-on.</p> <p>FFSA also insists on reminding that the standard formula is to be applied by default and the supervisor is in charge of evidencing that the standard formula does not comply with the risk profile of the undertaking.</p>	<p>Noted.</p> <p>Noted. See comment 9 above.</p>	
224.	German Insurance Association – Gesamtverb and der D	3.27.	<p>We fully support this paragraph. Please see our comments on 3.2 for ensuring consistency with other CPs on the use of entity specific parameters.</p> <p>We would also like to stress that the standard formula is to be applied by default: the supervisor is in charge of evidencing that the standard formula does not comply with the risk profile of the undertaking.</p> <p>Footnote 7 should be part of the explanatory text in 3.27 and not a footnote.</p>	<p>Noted.</p> <p>Noted.</p>	
225.	GROUPAMA	3.27.	<p>GROUPAMA support preliminary measures be envisaged (such as changing the risk profile, using entity specific parameters or implementing partial / internal model) before setting capital add-on..</p> <p>We also insist on reminding that the standard formula is to be applied by default ; the supervisor is in charge of evidencing that the standard formula does not comply with the risk profile of the</p>	<p>Noted.</p> <p>Noted. See comment 9 above.</p>	

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			undertaking.		
226.	Munich RE	3.27.	We fully support this paragraph. We would also like to stress that the standard formula is to be applied by default: the supervisor is in charge of evidencing that the standard formula does not comply with the risk profile of the undertaking.		Noted. See comment 9 above.
			Footnote no 7 should be part of the text.		See comment 221 above.
227.	Pearl Group Life	3.27.	We fully agree with this statement.		Noted.
228.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.28.	Entity-specific parameters could be used not only for the underwriting risk module but potentially also for other modules.		
229.			Confidential comment deleted		
230.	CEA, ECO-SLV-09-452	3.28.	In our view entity-specific parameters could be used not only for the underwriting risk module but potentially also for other modules. Ceiops should make it clear that in most cases it will naturally be the underwriting risk module but the option of using entity-specific parameters should be open for any other module in the standard formula.		This suggestion is not in line with the Level 1 text which only allows for the use of entity-specific parameters for the underwriting risk module.
231.	DIMA (Dublin International	3.28.	An undertaking compelled to use an internal model should not be subject to the requirements of CP56.		The suggestion is not in line with the Level 1 text. The requirements of the Articles 118

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	Insurance & Management				to 124 apply to all internal model users regardless of whether the development of the internal model was decided by the undertaking or required by the supervisor.
232.	Groupe Consultatif	3.28.	We strongly agree that the use of entity-specific parameters should be the first option to be considered.		Noted.
233.	PricewaterhouseCoopers LLP	3.28.	CEIOPS states that principles of proportionality should apply but an undertaking using the standard model may be required to develop its own full or partial model due to the risks it writes with the alternative being a capital add-on. This may result in some smaller or medium undertakings having to invest in systems and processes that are disproportionate to their operations.		An internal or partial internal model is not a solution if its development would be inappropriate which it could be if the cost and effort an undertaking had to invest would be disproportionate to its operations. In this case the undertaking would get a capital add-on.
234.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.29.	It would be helpful if CEIOPS could repeat the other possible measures here. We would therefore suggest redrafting this paragraph as follows: "If the use of a partial or full internal model is deemed "inappropriate" or "ineffective" and a change in the risk profile of the undertaking or the use of entity-specific parameters have not addressed the deviation, a capital add-on may be set."		Noted
235.	CEA, ECO-SLV-	3.29.	It would be helpful if Ceiops could repeat the other possible measures here. We would therefore suggest redrafting this paragraph as follows:		

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	09-452		"If the use of a partial or full internal model is deemed "inappropriate" or "ineffective" and a change in the risk profile of the undertaking or the use of entity-specific parameters have not addressed the deviation, a capital add-on may be set."	CEIOPS considers this unnecessary since the other possible measures are mentioned immediately above.	
236.					
237.					
238.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.30.	It would be helpful to refer to both full and partial internal models.		
239.	Association of British Insurers	3.30.	We would expect this to be also relevant for partial internal models.	Correct.	
240.					
241.					
242.					
243.	CEA, ECO-SLV-09-452	3.30.	It would be helpful to refer to both full and partial internal models.	Correct.	
244.	CRO Forum	3.30.	The application of capital add-ons "a priori" seems penal. If an internal model appears disproportionate taking into account a firm's resources given the nature, scale and complexity of its risks, then we would expect this to have been "flagged" by supervisors before a model build process is started. Simplified modelling techniques, if sufficiently appropriate, should be preferred over a permanent	There is no application of "ab initio" capital add-ons. Capital add-ons are last resort measures. Internal models shall need to comply with the requirements set out in the Level 1 text. Please	

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			capital add-on. Once a model build process has been discussed, agreed and started, our expectation would be for regular spot checks by supervisors on the status of the work. Any emerging "proportion" issues would then be captured and resolved before becoming critical.		refer to paragraphs 3.88 and 3.89.
245.	Groupe Consultatif	3.32.	We agree with this in principle, although we have some difficulty in visualising circumstances in which an internal model would be ineffective, other than some deficiency in the data and skills of the undertaking. We can perhaps envisage that an internal model might be developed which for one reason or another might not be (immediately) capable of supervisory approval, but we would expect that an unapproved model would be a good basis for entity-specific parameters.		The circumstances under which the development of an internal models has been ineffective are the same circumstances under which a internal model is rejected as stated in paragraph 3.36 Noted.
246.	CEA, ECO-SLV-09-452	3.34.	We would like to understand why significant deviations from the risk profile are to be considered material by definition. While we agree with the idea the wording is not consistent with the Level 1 text.		See the revised text in paragraph 3.36.
247.					
248.	Groupe Consultatif	3.34.	Having regard to the appropriately stringent requirements for model approval, we would expect deviations as described here to be extremely unusual.		Noted.
249.	PricewaterhouseCoopers LLP	3.37.	A capital add-on may be implemented if an undertaking does not derive a satisfactory SCR within a reasonable timeframe. A reasonable timeframe will vary between undertakings and jurisdictions and although we commend CEIOPS intentions regarding convergence, we think that this will be difficult to implement consistently in practice.		Noted.
250.	AAS BALTA	3.38.	Agree that requiring capital does not compensate for poor governance.		Noted.

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251.	AB Lietuvos draudimas	3.38.	Agree that requiring capital does not compensate for poor governance.	Noted.
252.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.38.	<p>We agree with CEIOPS that a governance capital add-on does not absolve the undertaking from complying with governance requirements as specified in the Level 1 text and that governance failures should be remedied with other more appropriate measures.</p> <p>In order to ensure that the objectives of a governance capital add-on are well understood, we believe it would be helpful to refer back to Article 37(2) in this paragraph</p> <p>“in the cases set out in point (c) of paragraph 1 of this Article the capital add-on shall be proportionate to the material risks arising from the deficiencies which gave rise to the decision of the supervisory authority to set the add-on”.</p>	
253.	Association of British Insurers	3.38.	We agree with CEIOPS that a governance capital add-on does not absolve the undertaking from complying with governance requirements as specified in the Level 1 text and that governance failures should be remedied with other more appropriate measures.	Noted.
254.				
255.				
256.				
257.	CEA, ECO-SLV-09-452	3.38.	<p>The objectives of governance capital add-ons should be better described.</p> <p>We agree with Ceiops that a governance capital add-on does not absolve the undertaking from complying with governance requirements as specified in the Level 1 text and that governance failures should be remedied with other more appropriate measures.</p>	<p>The objectives of governance capital add-ons are described in 3.4.</p> <p>Noted.</p>

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			<p>In order to ensure that the objectives of a governance capital add-on are well understood, we believe it would be helpful to refer back to Article 37(2) in this paragraph. "In the cases set out in point (c) of paragraph 1 of this Article the capital add-on shall be proportionate to the material risks arising from the deficiencies which gave rise to the decision of the supervisory authority to set the add-on".</p> <p>In addition, we would like to point out that there is a typing error. The second part of the last sentence should say "as some measures may need some time to be implemented".</p>	<p>What is to be considered when the governance capital dd-on is calculated is described in section 3.3.3.3.</p> <p>Noted.</p>
258.	CRO Forum	3.38.	<p>We agree with the CEIOPS view that</p> <p>(1) a governance capital add-on does not absolve the undertaking from complying with governance requirements as</p>	Noted.

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			<p>specified in the Level 1 text and</p> <p>(2) governance failures should be treated with other more appropriate measures.</p> <p>We submit that the objectives for setting a governance capital add-on are not described in sufficient detail and that the methodology developed should be kept in line with the principle set by art 37 No 2 "the capital add-on shall be proportionate to the material risk arising decision of the supervisory authority to set the add-on."</p> <p>We believe that</p> <p>(1) a governance capital add-on should not increase the SCR beyond a the 99.5% VaR confidence level over a one year time horizon and</p> <p>(2) the impact of governance deficiencies on the SCR calculation shall be emphasized in the Advice.</p>	<p>See comment 257 above.</p> <p>CEIOPS considers that Article 37 (2) acknowledges the fact that a governance capital add-on cannot be calculated like this.</p> <p>CEIOPS does not agree that the impact of the governance deficiencies on the SCR calculation is relevant but that such deficiencies have to be assessed as the degree of deviation from governance requirements.</p>
259.	DENMARK: Codan Forsikring A/S (10529638)	3.38.	Agree that requiring capital does not compensate for poor governance.	Noted.
260.	GROUPAMA	3.38.	We agree on CEIOPS considering that i/ a governance capital add-	Noted.

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			<p>on does not absolve the undertaking from complying with governance requirements as specified in the Level 1 text and ii/ governance failures should be treated with other more appropriate measures.</p> <p>We consider the objectives of setting a governance capital add-on are not sufficiently described and should be kept in line with the principle set by art 37 No 2 "the capital add-on shall be proportionate to the material risk arising decision of the supervisory authority to set the add-on.</p> <p>We believe that i/ a governance capital should not aim at anything but to ensure a 99.5% confidence level over a one year time horizon and ii/ that interactions between governance deficiencies and SCR calculation be emphasized in the Advice.</p>	<p>See comment 257 above.</p> <p>See comment 258 above.</p>
261.	Groupe Consultatif	3.38.	We agree with the view expressed here.	Noted.
262.	Link4 Towarzystw o Ubezpieczeń SA	3.38.	Agree that requiring capital does not compensate for poor governance.	Noted.
263.	Munich RE	3.38.	<p>The objectives of governance capital add-ons should be better described.</p> <p>We agree with CEIOPS that a governance capital add-on does not absolve the undertaking from complying with governance requirements as specified in the Level 1 text and that governance failures should be remedied with other more appropriate measures.</p> <p>A governance capital add-on should not increase the SCR beyond</p>	<p>See comment 257 above.</p> <p>Noted.</p>

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			the 99.5% confidence level over a one-year time horizon.	See comment 258 above.	
264.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.38.	Agree that requiring capital does not compensate for poor governance.	Noted.	
265.	RSA Insurance Group PLC	3.38.	Agree that requiring capital does not compensate for poor governance.	Noted.	
266.	RSA Insurance Ireland Ltd	3.38.	Agree that requiring capital does not compensate for poor governance.	Noted.	
267.	RSA - Sun Insurance Office Ltd.	3.38.	Agree that requiring capital does not compensate for poor governance.	Noted.	
268.	SWEDEN: Trygg-Hansa Försäkrings AB (516401- 7799)	3.38.	Agree that requiring capital does not compensate for poor governance.	Noted.	
269.	ACA – ASSOCIATIO N DES COMPAGNIE S D'ASSURAN CES DU	3.39.	Points d) and e) [number of complaints and turn-over key personnel] do not seem appropriate since they are completely subjective and are not measurable in a meaningful way.		
270.	CEA,	3.39.	We would like to raise concerns with regards to the proposed list	CEIOPS acknowledges in the	

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	ECO-SLV-09-452		since it will never be an exhaustive list. Currently points d) and e) do not seem appropriate since they are completely subjective and are not measurable in a meaningful way.	paragraph that the list is not exhaustive ("These could include"). Please note that the paragraph is only about <u>potential</u> signs that something is amiss. Supervisors may decide that these circumstances warrant a closer look but the result of the scrutiny does not necessarily have to prove that any suspicions were justified. Starting points for taking a closer look at an undertaking do not need to be objective or measurable.	
271.	CRO Forum	3.39.	Point (a) should not receive disproportional levels of attention, accepting that it can only be fully appreciated in the context of actual situations	This point focuses on elements which <u>could</u> influence the actual situation; consideration of "the background, own history and external environment of the undertaking" could help in the explanation of the potential governance deficiency, maybe could give appropriate answers which type of further assessment would be necessary.	
272.	GROUPAMA	3.39.	a) This point should not be disproportional and cannot be appreciated only in comparison with actual situation	Noted.	
273.	Groupe Consultatif	3.39.	This is a useful non-exhaustive list.	Noted.	
274.	PricewaterhouseCoopers	3.44.	We agree that there may be circumstances where the internal model will be inconsistent with the risk profile and think it is	Noted.	

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	LLP		important for supervisors to appreciate that model updates will be performed periodically and not continuously in the cycle.	
275.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.50.	We strongly support CEIOPS' position of assessing significance always in terms of the effect to the overall SCR.	
276.	CEA, ECO-SLV-09-452	3.50.	We strongly support Ceiops' position of assessing significance always in terms of the effect to the overall SCR.	Noted.
277.	CRO Forum	3.50.	<p>We support the idea that the significance of a deviation should be assessed in view of the effect of the recalculation on the overall SCR of the undertaking.</p> <p>This is in line with the principle that the 99.5% SCR confidence level on a one year time horizon is the overall target level, and that any capital add-on should be capped at this level.</p>	Noted.
278.	German Insurance Association – Gesamtverband der D	3.50.	We strongly support CEIOPS' position of assessing significance always in terms of the effect to the overall SCR.	Noted.
279.	GROUPAMA	3.50.	<p>We support the idea that the significance of the deviation should be assessed in view of the effect of the recalculation on the overall SCR of the undertaking.</p> <p>This induces that the 99.5% SCR confidence level on a one year</p>	Noted.

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			time horizon is the overall target level, and that any capital add-on should be capped by the 99.5% confidence level.		
280.	Munich RE	3.50.	We strongly support CEIOPS position of assessing significance always in terms of effects to the overall SCR.		Noted.
281.	Legal & General Group	3.51.	<p>The term "Significant" should ideally be defined in the Level 2 Directive. In the white text (3.52) it implies 5%-15% of SCR, which may be too tight for firms within a group where "extra" capital is held at the "group" level. This may be inappropriate where a firm could demonstrate an appropriate plan and the attitude of the regulator will be key in this. It cannot be overstressed that this process requires both the firm and the regulator to have an ongoing and constructive dialogue to produce a result that is best for policyholders.</p> <p>Also applies to sections 3.52 – 3.56</p>	<p>Regarding the percentage to be used as a significant deviation CEIOPS understands the arguments presented but holds the view that deviations of more than 10% are usually significant deviations. In some cases even deviations of 5% need to be considered as significant.</p> <p>Taking all comments received into account, CEIOPS will propose that the threshold for the significant deviation is of 10% with the possibility to the supervisor to deviate up and down. However, deviations of more than 15% have to be considered as significant in any circumstance.</p>	
282.	AAS BALTA	3.52.	<p>Support option 3. 5% is too low to be meaningful. Suggest 10% is a relevant threshold.</p> <p>We are also in favour of setting the reference value/range at Level 2 in order to maintain a level playing field</p>		Noted.
283.	AB Lietuvos	3.52.	Support option 3. 5% is too low to be meaningful. Suggest 10% is		Noted.

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	draudimas		a relevant threshold. We are also in favour of setting the reference value/range at Level 2 in order to maintain a level playing field	
284.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.52.	Option 3 leads to case-by-case assessment.	
285.	Association of British Insurers	3.52.	<p>We support option 3: A harmonised reference value should be established at Level 2. This reference value serves as a rebuttable presumption that the deviation is significant. Supervisory authorities may decide to depart from it (on both ways) based on the application of harmonised criteria established at Level 2.</p> <p>We support option 3 as it gives more flexibility and allows supervisors to tailor their response to the specific circumstances of the undertaking in question. We stress the importance of having a specific and comprehensive harmonised criteria to aid supervisors.</p> <p>We agree with CEIOPS that the reference value should be set at Level 2 and not a Level 3. However, we would like to stress that a range between 5% - 15% does not establish a reference value. The range is too large to act as a clear reference value for significant deviation and harmonisation. We would propose a range between 10%-15%.</p>	<p>Noted.</p> <p>Noted.</p> <p>Noted.</p>
286.				-
287.				-

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288.				-
289.	CEA, ECO-SLV-09-452	3.52.	<p>It is confusing that in 3.251 Ceiops has stated that “regarding the assessment of the significance of a risk profile deviation Ceiops will wait for the comments to be received under this Consultation Paper before deciding on the advice on a Level 2 measure”. However 3.52 onwards Ceiops discusses the different options and in 3.63 says that the majority of the members prefer option 3.</p> <p>We support option 3 for the possible way of quantitatively assessing a significant deviation of the risk profile when using the standard formula: A harmonised reference value of [5%-15%] of the overall SCR is established at Level 2. This reference value serves as a rebuttable presumption that the deviation is significant. Supervisory authorities may decide to depart from it (on both ways) based on the application of harmonised criteria established at Level 2.</p> <p>We support option 3 as it gives more flexibility and allows supervisors to tailor their response to the specific circumstances of the undertaking in question. We stress the importance of having specific and comprehensive harmonised criteria to aid supervisors.</p> <p>We agree with Ceiops that the reference value should be set at Level 2 and not a Level 3. In addition, we would like to stress that a range between 5% - 15% does not establish a reference value. The range is too large to act as a clear reference value for significant deviation and harmonisation. We would propose a range between 10%-15%.</p>	<p>CEIOPS acknowledges that this statement could possibly be misunderstood. It is meant to imply that CEIOPS by nature of the consultation will just decide on its final position taking the comments of stakeholders into account.</p> <p>Noted.</p> <p>Noted.</p> <p>Noted.</p>

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290.	CRO Forum	3.52.	<p>"We support Option 3, subject to one caveat. Supervisory authorities may only depart from a harmonized reference value of 10% on the basis that evidence can be provided that such a reference value is inappropriate as an indicator of significance. In these instances we recommend that a report is provided to the firm setting out, (1) why a reference value equal to 10% of the SCR is ineffective as a measure of significance, and (2) the alternative reference value assumption and the methodology used to derive it.</p> <p>It is unclear what the "harmonized criteria are". Where are such criteria defined?</p> <p>We feel that a more complete quantitative assessment also should consider the totality of the surplus own funds available to cover the standard formula SCR. This is particularly important where a firm is close to breaching its SCR and additional restorative actions become important to consider."</p>	<p>Noted. CEIOPS understands that these comments refer to the due process principle as explained in paragraph 3.15 of the Consultation paper. CEIOPS considers deviations from the reference value to be subject to supervisory judgement.As regards the harmonised criteria refer to paragraph 3.56 of the Consultation Paper.</p> <p>CEIOPS disagrees. In paragraphs 3.82 and 3.83 of the Consultation paper CEIOPS explained why an excess of own funds should not be taken into account at all.</p>
291.	DENMARK: Codan Forsikring A/S (10529638)	3.52.	<p>Support option 3. 5% is too low to be meaningful. Suggest 10% is a relevant threshold.</p> <p>We are also in favour of setting the reference value/range at Level 2 in order to maintain a level playing field</p>	<p>Noted.</p> <p>Noted.</p>
292.	European Insurance CFO Forum	3.52.	<p>Harmonisation between paragraphs 3.52 and 3.251 is required</p> <p>3.52 states: ""A harmonised reference value of [5%-15%] of the overall SCR is established at Level 2""</p> <p>3.251 states:""Regarding the assessment of the significance of a risk profile deviation CEIOPS will wait for the comments to be received under this Consultation Paper before deciding on the advice on a Level 2 measure"".</p> <p>These paragraphs appear contradictory and the treatment requires</p>	<p>Noted.</p> <p>Refer to first resolution on comment 289.</p>

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			clarification.	
293.	European Insurance CFO Forum	3.52.	<p>Harmonisation between paragraphs 3.52 and 3.251 is required</p> <p>3.52 states: "A harmonised reference value of [5%-15%] of the overall SCR is established at Level 2"</p> <p>3.251 states: "Regarding the assessment of the significance of a risk profile deviation CEIOPS will wait for the comments to be received under this Consultation Paper before deciding on the advice on a Level 2 measure".</p> <p>These paragraphs appear contradictory and the treatment requires clarification.</p>	See comment 292 above.
294.			Confidential comment deleted	
295.	German Insurance Association – Gesamtverb and der D	3.52.	<p>It is confusing that in 3.251 CEIOPS has stated that "regarding the assessment of the significance of a risk profile deviation CEIOPS will wait for the comments to be received under this Consultation Paper before deciding on the advice on a Level 2 measure". However 3.52 onwards CEIOPS discusses the different options and in 3.63 says that the majority of the members prefer option 3.</p> <p>We support option 3 for the possible way of quantitatively assessing a significant deviation of the risk profile when using the standard formula: A harmonised reference value of [5%-15%] of the overall SCR is established at Level 2. This reference value serves as a rebuttable presumption that the deviation is significant. Supervisory authorities may decide to depart from it (on both ways) based on the application of harmonised criteria established at Level 2.</p> <p>We support option 3 as it gives more flexibility and allows</p>	<p>See comment 289 above.</p> <p>Noted.</p> <p>Noted.</p>

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			<p>supervisors to tailor their response to the specific circumstances of the undertaking in question. We stress the importance of having specific and comprehensive harmonised criteria to aid supervisors.</p> <p>We agree with CEIOPS that the reference value should be set at Level 2 and not a Level 3. In addition, we would like to stress that a range between 5% - 15% does not establish a reference value. The range is too large to act as a clear reference value for significant deviation and harmonisation. We would propose a range between 10%-15%.</p>	Noted. See new paragraphs 3.110 and 3.111.
296.	GROUPAMA	3.52.	We support option 2	Noted.
297.	Groupe Consultatif	3.52.	<p>The intent and practical significance of this paragraph is not clear to us. We suggest that any reference value should meet some threshold of materiality in relation to technical provisions also. Subject to further dialogue, we find Option 2 the most attractive considered from the point of view of the undertaking. We would however prefer that this option were linked to a reasonable belief on the part of the supervisor that the standard formula is under-estimating a true entity-specific SCR by not less than 10%.</p>	CEIOPS does not agree. Solvency II is a risk-based solvency regime. Reference to technical provisions would not be consistent with such a regime.
298.	Institut des actuaires (France)	3.52.	<p>Institut des Actuaire considers that Option 2 is too restrictive and isn't enough risk-based, and that Option 3 will lead to more complexity than Option 1, without any advantage due to the fact that Supervisory authorities could depart from the reference value on both way.</p> <p>For these reasons, Institut des Actuaire supports Option 1.</p>	Noted.
299.	Legal & General Group	3.52.	As per 3.51	Noted.
300.	Link4	3.52.	Support option 3. 5% is too low to be meaningful. Suggest 10% is	Noted.

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	Towarzystw o Ubezpieczeń SA		<p>a relevant threshold.</p> <p>We are also in favour of setting the reference value/range at Level 2 in order to maintain a level playing field</p>	
301.	Lloyd's	3.52.	<p>We support Option 3 regarding how the quantitative significance could be assessed in cases where the SCR is calculated using the standard formula as supervisory authorities would only consider deviations that exceed the reference value but may depart from it based on harmonised criteria established at Level 2.</p> <p>We also agree that the harmonised reference value should be established at Level 2 but consider that a range (5% to 15%) is too large to act as a clear reference value for significant deviation.</p> <p>The significance of the deviation over the SCR calculated using the standard formula should then be determined by reference to the excess of the undertaking's own funds over the SCR. If the deviation is such that it would lead to a breach of the SCR + proposed Capital add-on then it is significant.</p>	<p>Noted.</p> <p>Noted.</p> <p>CEIOPS disagrees. See comment 290 above.</p>
302.	Munich RE	3.52.	<p>We support Option 2 in the first instance, though we believe that option 3 could also be considered.</p> <p>It is unclear what the "harmonized criteria are". Where are such criteria defined?</p>	<p>Noted.</p> <p>Refer to 3.56 of the Consultation Paper.</p>
303.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.52.	<p>Support option 3. 5% is too low to be meaningful. Suggest 10% is a relevant threshold.</p> <p>We are also in favour of setting the reference value/range at Level 2 in order to maintain a level playing field</p>	Noted.
304.	Pearl Group Life	3.52.	We support Option 3, with the caveat that the supervisory authorities do actually exercise their option to depart from the	Noted.

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			<p>reference value where appropriate. Otherwise this would become Option 2 which is our least preferred option as we believe it is important, infact essential, that the supervisory authority do apply judgement when making these decisions.</p> <p>For Risk Profile Add-Ons CEIOPS proposes a reference value of [5% - 15%] of the overall SCR.</p> <p>If a capital-add on is added then this will have to be published so we should be trying to make this as high as possible. However, it is difficult to argue that a 5% of SCR capital add-on isn't significant and so we propose 5%.</p>	Noted.
305.	PricewaterhouseCoopers LLP	3.52.	<p>Whilst we support development of a harmonised range or value, in particular option 3, it is difficult to envisage how supervisors will ensure consistency across such a large range. Also, setting a reference in Level 3 will allow the range to amended which is important given the early stage of the process.</p>	Noted.
306.	RSA Insurance Group PLC	3.52.	<p>Support option 3. 5% is too low to be meaningful. Suggest 10% is a relevant threshold.</p> <p>We are also in favour of setting the reference value/range at Level 2 in order to maintain a level playing field</p>	Noted.
307.	RSA Insurance Ireland Ltd	3.52.	<p>Support option 3. 5% is too low to be meaningful. Suggest 10% is a relevant threshold.</p> <p>We are also in favour of setting the reference value/range at Level 2 in order to maintain a level playing field</p>	<p>Noted.</p> <p>Noted.</p>
308.	RSA - Sun Insurance Office Ltd.	3.52.	<p>Support option 3. 5% is too low to be meaningful. Suggest 10% is a relevant threshold.</p> <p>We are also in favour of setting the reference value/range at Level 2 in order to maintain a level playing field</p>	<p>Noted.</p> <p>Noted.</p>

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309.	SWEDEN: Trygg-Hansa Försäkrings AB (516401- 7799)	3.52.	Support option 3. 5% is too low to be meaningful. Suggest 10% is a relevant threshold. We are also in favour of setting the reference value/range at Level 2 in order to maintain a level playing field	Noted. Noted.	
310.	XL Capital Ltd	3.52.	We support the principles based approach underpinning by Option 1.	Noted.	
311.	Legal & General Group	3.53.	As per 3.51	Noted.	
312.	CRO Forum	3.54.	Please provide more information on how a principles-based approach will allow for a risk based approach? We feel that the chance of the converse is actually true – i.e. it may be harder, not easier to ensure risk based consistency is achieved.	CEIOPS considers a fully risk based approach to be an approach which allows for the individual risk situation of undertakings to be taken into account appropriately.	
313.	Legal & General Group	3.54.	As per 3.51	Noted.	
314.	Legal & General Group	3.55.	As per 3.51	Noted.	
315.	Pricewaterho useCoopers LLP	3.55.	We support supervisors finding a common understanding of Level 3 guidance as we anticipate that this is likely to evolve as Solvency II gets bedded down.	Noted.	
316.				-	
317.				-	

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318.	Legal & General Group	3.56.	As per 3.51	Noted.
319.	European Union member firms of Deloitte Touche To	3.57.	We believe that the quantitative assessment of a significant deviation via the proposed option 3 would require a strict definition with regard to the criteria that renders a deviation from the use of a reference value at a fixed percentage. Therefore, we agree with para. 3.55 that more detail may be required to what exactly is meant by "appropriate supervisory judgement", as to ensure supervisory convergence.	Noted.
320.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.63.	See comments on 3.52.	Noted.
321.	Association of British Insurers	3.63.	See comments under 3.52	Noted.
322.				-
323.				-
324.				-
325.	CEA, ECO-SLV-09-452	3.63.	See our comments on 3.52.	Noted.
326.	Groupe Consultatif	3.63.	We can understand the attractions of Option 3 although we suggest that it should have a higher reference value threshold, which we	Noted.

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			would suggest be 20%. We are inclined to favour stipulation of this value at Level 2 rather than Level 3.		
327.	Pearl Group Life	3.63.	For Risk Profile Add-Ons CEIOPS proposes a reference value of [5% - 15%] of the overall SCR. If a capital-add on is added then this will have to be published so we should be trying to make this as high as possible. However, it is difficult to argue that a 5% capital add-on isn't significant and so suggest we propose 5%.	Noted.	
328.	AAS BALTA	3.66.	Support option 3. 5% is too low to be meaningful. Suggest 10% is a relevant threshold. We are also in favour of setting the reference value/range at Level 2 in order to maintain a level playing field	Noted. Noted.	
329.	AB Lietuvos draudimas	3.66.	Support option 3. 5% is too low to be meaningful. Suggest 10% is a relevant threshold. We are also in favour of setting the reference value/range at Level 2 in order to maintain a level playing field	Noted. Noted.	
330.	CEA, ECO-SLV-09-452	3.66.	In our opinion if a threshold is to be set, it should be done at level 2. The threshold has clear relations with the calibration and other variables already set at level 1 or level 2. Thus any change should always be done in conjunction with these other variables.	Noted.	
331.	CRO Forum	3.66.	The CRO forum supports the use of stakeholder opinion to propose / present views on appropriate reference values and recommend that a formal process is developed for firms to appeal and challenge the reference values proposed by supervisors.	More generally, on the due process refer to para 3.15 of the Consultation Paper. Where a reference value is set at Level 2, there is no room for a formal process of appealing or challenging such a reference value outside the normal legal appeals process. Where	

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			<p>We believe that the reference value used to assess the significance of a risk deviation should be based on the timeframe required to rectify the deviation only (i/e change the risk profile or develop an internal model) and not according to the type of uncertainty.</p> <p>For example, we do not see any reason why a high sensitivity of the reference value to assumptions should lead to a lower percentage to be used.</p> <p>We submit that the medium and standard range (ie 10 %) should be defined at the level that would maximise the capability of ensuring a "level playing field". The Level 3 option should be retained only if it can ensure that general principle.</p> <p>A deviation of 10 % seems realistic as a standard. If, as we propose, only the timeframe needed to solve the deviation is taken into account to change this central threshold the range to determine whether a deviation is significant should be more limited (for example 8-12%.)</p>	<p>supervisory authorities depart from such a reference value supervisory authorities will follow due process.</p> <p>CEIOPS does not agree. The significance of a deviation as such in the context of considering a capital add-on is unrelated to the timeframe within which the circumstances that might have caused a deviating risks profile may be resolved.</p> <p>CEIOPS` reasoning is based on the assumption that the longer the timeframe the higher is the uncertainty. However, this is only one of several factors that have to be taken into consideration.</p> <p>Noted.</p> <p>Noted.</p>
332.	DENMARK:	3.66.	Support option 3. 5% is too low to be meaningful. Suggest 10% is	Noted.

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	Codan Forsikring A/S (10529638)		<p>a relevant threshold.</p> <p>We are also in favour of setting the reference value/range at Level 2 in order to maintain a level playing field</p>	Noted.	
333.	GROUPAMA	3.66.	<p>GROUPAMA believe that the significance level should only vary according to the timeframe to take into account the deviation (i/e change the risk profile or develop an internal model) and not according to the type of uncertainty. For example, we do not see any reason why a high sensitivity of the reference value to assumptions should lead to a lower percentage to be used.</p> <p>We think that the medium and standard range (ie 10 %) should be define at the level that would maximise the capability of ensuring the principle of a "level playing field". Level 3 option should be retained only if it can ensure that general principal.</p> <p>A deviation of 10 % seems realistic as a standard. If, as we propose, only timeframe to take into account the deviation is used to change this central threshold the range to determine if a deviation is significant should be more limited (for example 8-12%.)</p>	<p>CEIOPS disagrees. Refer to the second resolution on comment 331.</p> <p>Noted.</p> <p>Noted.</p>	
334.	Link4 Towarzystw o Ubezpieczeń SA	3.66.	<p>Support option 3. 5% is too low to be meaningful. Suggest 10% is a relevant threshold.</p> <p>We are also in favour of setting the reference value/range at Level 2 in order to maintain a level playing field</p>	<p>Noted.</p> <p>Noted.</p>	
335.	Lloyd's	3.66.	We support having the reference value at Level 2, as this would provide a benchmark which can be used by supervisory authorities consistently across Europe.	Noted.	
336.	Milliman	3.66.	The mention of a reference value seems premature at this stage when discussing about a possible way to quantitatively assess a significant deviation of the risk profile.	CEIOPS does not agree. Article 37(6) requires the Commission to adopt implementing measures	

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			<p>Further, it seems difficult at this stage to give an opinion on the level of the reference value of [5% - 15%] mentioned in the CP.</p> <p>Further details would be necessary to better understand the harmonised criteria which will be applied by the supervisory authority for departing from the reference value being established.</p>	<p>laying down further specifications for the circumstances under which a capital add-on may be imposed.</p> <p>The criteria named in 3.56 of the Consultation Paper would be further specified on Level 3.</p>	
337.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.66.	<p>Support option 3. 5% is too low to be meaningful. Suggest 10% is a relevant threshold.</p> <p>We are also in favour of setting the reference value/range at Level 2 in order to maintain a level playing field</p>	<p>Noted.</p> <p>Noted.</p>	
338.	Pearl Group Life	3.66.	We believe that reference values/ ranges for risk profile deviations should be set at Level 2.	Noted.	
339.	RSA Insurance Group PLC	3.66.	<p>Support option 3. 5% is too low to be meaningful. Suggest 10% is a relevant threshold.</p> <p>We are also in favour of setting the reference value/range at Level 2 in order to maintain a level playing field</p>	<p>Noted.</p> <p>Noted.</p>	
340.	RSA Insurance Ireland Ltd	3.66.	<p>Support option 3. 5% is too low to be meaningful. Suggest 10% is a relevant threshold.</p> <p>We are also in favour of setting the reference value/range at Level 2 in order to maintain a level playing field</p>	<p>Noted.</p> <p>Noted.</p>	
341.	RSA - Sun Insurance Office Ltd.	3.66.	<p>Support option 3. 5% is too low to be meaningful. Suggest 10% is a relevant threshold.</p> <p>We are also in favour of setting the reference value/range at Level 2 in order to maintain a level playing field</p>	Noted.	

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342.	SWEDEN: Trygg-Hansa Försäkrings AB (516401- 7799)	3.66.	Support option 3. 5% is too low to be meaningful. Suggest 10% is a relevant threshold. We are also in favour of setting the reference value/range at Level 2 in order to maintain a level playing field	Noted.	
343.	XL Capital Ltd	3.66.	We would rather see the reference values/range of values defined at Level 2.	Noted.	
344.	CEA, ECO-SLV- 09-452	3.67.	See our comments on 3.56 and 3.66.	Noted.	
345.	Association of British Insurers	3.68.	The role of the CEIOPS should be reinforced to ensure some harmonisation during the assessment of the "significant deviation" process and not a few years after the capital add-on has been set-up.	Noted. Reinforcing the role of CEIOPS would not help as the problem is not lack of willingness to harmonise but lack of experience with the use of capital add-ons.	
346.					
347.					
348.					
349.	AAS BALTA	3.70.	We do not agree that deviations which can be resolved within a shorter timeframe should be subject to a higher reference value than deviations which will take longer to resolve	See comment 331 above.	
350.	AB Lietuvos draudimas	3.70.	We do not agree that deviations which can be resolved within a shorter timeframe should be subject to a higher reference value than deviations which will take longer to resolve	See comment 331 above.	
351.			Confidential comment deleted		

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352.	CEA, ECO-SLV- 09-452	3.70.	Another situation could be that the deviation could lead to a breach of the SCR when the deviation would not occur.	CEIOPS does not understand this comment.	
353.	CRO Forum	3.70.	We believe that the reference value used to assess the significance of a risk deviation should be based on the timeframe required to rectify the deviation only. For example, we do not see any reason why a high sensitivity of the reference value to assumptions should lead to the use of a lower percentage	Admitting that this is "new science" for everyone involved, CEIOPS is still of the opinion that the volatility or degree of sensitivity in the assumptions is an element that should be taken into consideration.	
354.	DENMARK: Codan Forsikring A/S (10529638)	3.70.	We do not agree that deviations which can be resolved within a shorter timeframe should be subject to a higher reference value than deviations which will take longer to resolve	See comments 331 and 353 above.	
355.	European Union member firms of Deloitte Touche To	3.70.	See comment on para 3.252 b.	See comments 331 and 353 above.	
356.	GROUPAMA	3.70.	We believe that the significance level should only vary according to the timeframe to take into account the deviation (i/e change the risk profile or develop an internal model) and not according to the type of uncertainty. For example, we do not see any reason why a high sensitivity of the reference value to assumptions should lead to a lower percentage to be used.	See comments 331 and 353 above.	
357.	Link4 Towarzystw o	3.70.	We do not agree that deviations which can be resolved within a shorter timeframe should be subject to a higher reference value than deviations which will take longer to resolve	Noted.	

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	Ubezpieczeń SA				
358.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.70.	We do not agree that deviations which can be resolved within a shorter timeframe should be subject to a higher reference value than deviations which will take longer to resolve	Noted.	
359.	RSA Insurance Group PLC	3.70.	We do not agree that deviations which can be resolved within a shorter timeframe should be subject to a higher reference value than deviations which will take longer to resolve	Noted.	
360.	RSA Insurance Ireland Ltd	3.70.	We do not agree that deviations which can be resolved within a shorter timeframe should be subject to a higher reference value than deviations which will take longer to resolve	Noted.	
361.	RSA - Sun Insurance Office Ltd.	3.70.	We do not agree that deviations which can be resolved within a shorter timeframe should be subject to a higher reference value than deviations which will take longer to resolve	Noted.	
362.	SWEDEN: Trygg-Hansa Försäkrings AB (516401- 7799)	3.70.	We do not agree that deviations which can be resolved within a shorter timeframe should be subject to a higher reference value than deviations which will take longer to resolve	Noted.	
363.	ACA – ASSOCIATIO N DES COMPAGNIE S D'ASSURAN CES DU	3.71.	Supervisors should take into account both risks that are underestimated and risks that are overestimated. We strongly advocate the use of a netting approach. We support point b. We believe that netting of under and overestimated risks should be allowed for and that this is actually provided for in the Level 1 text. The SCR should correspond to a confidence level of 99.5% over a one-year period (Article 101(3)). In addition Article 104(4) makes clear that each of the risk modules		

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			of Article 104(1) shall be "calibrated using a Value-at-Risk measure, with a 99.5% confidence level, over a one year period. Where appropriate, diversification effects shall be taken into account in the design of each risk module".	
364.	Association of British Insurers	3.71.	<p>We support approach b): the supervisory authority should consider the effect on the overall SCR taking into account both the risks that are underestimated and the risks that may be overestimated.</p> <p>Based on Articles 101(3) and 104(4), we disagree with CEIOPS this would not be in line with the level 1 text.</p>	<p>Noted.</p> <p>See comment 4 above.</p>
365.				
366.				
367.				
368.			Confidential comment deleted	
369.	CEA, ECO-SLV-09-452	3.71.	<p>Supervisors should take into account both risks that are underestimated and risks that are overestimated. We strongly advocate the use of a netting approach.</p> <p>We support point b. We believe that netting of under and overestimated risks should be allowed for and that this is actually provided for in the Level 1 text. The SCR should correspond to a confidence level of 99.5% over a one-year period (Article 101(3)). In addition Article 104(4) makes clear that each of the risk modules of Article 104(1) shall be "calibrated using a Value-at-Risk measure, with a 99.5% confidence level, over a one year period. Where appropriate, diversification effects shall be taken into account in the design of each risk module".</p>	<p>Noted.</p> <p>Diversification is not synonymous with underestimation. Diversification effects are allowed for under the assumption that all modules are calibrated to 99.5 % confidence, which is not the case when one has a situation where there is a "significant deviation" in one or more modules.</p>
370.	CRO Forum	3.71.	<p>We support approach (b)</p> <p>Capital add-ons (and any deviation testing) should in our view be</p>	<p>Noted.</p> <p>Article 37 does not provide for a</p>

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			applied in both directions (i.e. positively and negatively). The overarching principle should be to ensure risks are correctly assessed at a 99.5% one-year VaR on an aggregate basis, rather than just to focus on risks that are understated when compared with standard formula. To enable this we broadly support the approach given in 3.81 although we believe that this approach should be enabled by a shared responsibility in which the supervisor takes the lead. Once this has been established as a starting point, an action plan can be developed	reduction of the SCR but only for the setting of a higher SCR. CEIOPS maintains that the onus should be on the undertaking to prove that the the overall SCR is in line with the requirement of 99,5 % confidence level if it wants an alleged overestimation to be taken into account.	
371.	German Insurance Association – Gesamtverb and der D	3.71.	Supervisors should take into account both risks that are underestimated and risks that are overestimated. We strongly advocate the use of a netting approach. We support point b. We believe that netting of under and overestimated risks should be allowed for and that this is actually provided for in the Level 1 text. The SCR should correspond to a confidence level of 99.5% over a one-year period (Article 101(3)). In addition Article 104(4) makes clear that each of the risk modules of Article 104(1) shall be "calibrated using a Value-at-Risk measure, with a 99.5% confidence level, over a one year period. Where appropriate, diversification effects shall be taken into account in the design of each risk module".	Noted. See comment 4 above.	
372.	Lloyd's	3.71.	We support the approach under b). When assessing the significance of the deviation, supervisors should consider the effect on the overall SCR taking into account both underestimated and overestimated risks, as this is in line with the Framework Directive and should not affect policyholders' interests.	Noted. See comment 4 above.	
373.	Munich RE	3.71.	Supervisors should take into account both risks that are underestimated and risks that are overestimated. We strongly advocate for a netting-approach. We support approach b.	Noted. See comment 4 above.	

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374.	Pearl Group Life	3.71.	<p>We support approach b): the supervisory authority should consider the effect on the overall SCR taking into account both the risks that are underestimated and the risks that may be overestimated.</p> <p>Based on Articles 101(3) and 104(4), we disagree with CEIOPS this would not be in line with the level 1 text.</p>	Noted. See comment 4 above.	
375.	PricewaterhouseCoopers LLP	3.71.	We agree that the second approach off offsetting overestimated and underestimated risks is not in the spirit of Level 1 Directive and concur with CEIOPS that option 1 is the most appropriate option.	Noted.	
376.	XL Capital Ltd	3.71.	We support approach b). The impact on the overall SCR should be considered when assessing the significance of a deviation. The assessment should include both understated and overstated risks	Noted. See comment 4 above.	
377.	AAS BALTA	3.72.	If it can be demonstrated that there are over-estimated risks that out-weigh the under-estimated risks no capital add-on should occur. It is not appropriate to penalise a firm who has an under-estimated risk for a failing in the generic formula, if in other aspects they are penalised. The holistic view is surely what we want – not an approach that is overly prudent. The approach of only penalising firms for specific risks that are underestimated is less likely to encourage firms to adopt better risk mitigation techniques.	See comment 4 above.	
378.	AB Lietuvos draudimas	3.72.	If it can be demonstrated that there are over-estimated risks that out-weigh the under-estimated risks no capital add-on should occur. It is not appropriate to penalise a firm who has an under-estimated risk for a failing in the generic formula, if in other aspects they are penalised. The holistic view is surely what we want – not an approach that is overly prudent. The approach of only penalising firms for specific risks that are underestimated is less likely to encourage firms to adopt better risk mitigation techniques.	See comment 4 above.	
379.	CRO Forum	3.72.	How will supervisors ensure that firms are made aware of risks that have been overstated assuming that negative capital add-ons are not applied? (an extension to the previous point) It is not enough	The undertakings being aware of its risks, both the under and the over estimated ones, is part of a	

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			that firms are given the option of building full or partial internal models to refine the capital assessment for overstated risks, as such options involve significant resources, time and expenditure to action. Also, such recourse may not be in the best interests of the firm as capital is finite and other more attractive strategic opportunities may present themselves in the short term.	good risk management system. The capital add-ons should not be the driver for proper risk management. Negative add-ons are not envisaged by the Level 1 text.	
380.	DENMARK: Codan Forsikring A/S (10529638)	3.72.	If it can be demonstrated that there are over-estimated risks that out-weigh the under-estimated risks no capital add-on should occur. It is not appropriate to penalise a firm who has an under-estimated risk for a failing in the generic formula, if in other aspects they are penalised. The holistic view is surely what we want – not an approach that is overly prudent. The approach of only penalising firms for specific risks that are underestimated is less likely to encourage firms to adopt better risk mitigation techniques.	See comment 4 above.	
381.	Link4 Towarzystw o Ubezpieczeń SA	3.72.	If it can be demonstrated that there are over-estimated risks that out-weigh the under-estimated risks no capital add-on should occur. It is not appropriate to penalise a firm who has an under-estimated risk for a failing in the generic formula, if in other aspects they are penalised. The holistic view is surely what we want – not an approach that is overly prudent. The approach of only penalising firms for specific risks that are underestimated is less likely to encourage firms to adopt better risk mitigation techniques.	See comment 4 above.	
382.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.72.	If it can be demonstrated that there are over-estimated risks that out-weigh the under-estimated risks no capital add-on should occur. It is not appropriate to penalise a firm who has an under-estimated risk for a failing in the generic formula, if in other aspects they are penalised. The holistic view is surely what we want – not an approach that is overly prudent. The approach of only penalising firms for specific risks that are underestimated is less likely to encourage firms to adopt better risk mitigation techniques.	See comment 4 above.	
383.	RSA	3.72.	If it can be demonstrated that there are over-estimated risks that	See comment 4 above.	

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	Insurance Group PLC		out-weigh the under-estimated risks no capital add-on should occur. It is not appropriate to penalise a firm who has an under-estimated risk for a failing in the generic formula, if in other aspects they are penalised. The holistic view is surely what we want – not an approach that is overly prudent. The approach of only penalising firms for specific risks that are underestimated is less likely to encourage firms to adopt better risk mitigation techniques.	
384.	RSA Insurance Ireland Ltd	3.72.	If it can be demonstrated that there are over-estimated risks that out-weigh the under-estimated risks no capital add-on should occur. It is not appropriate to penalise a firm who has an under-estimated risk for a failing in the generic formula, if in other aspects they are penalised. The holistic view is surely what we want – not an approach that is overly prudent. The approach of only penalising firms for specific risks that are underestimated is less likely to encourage firms to adopt better risk mitigation techniques.	See comment 4 above.
385.	RSA - Sun Insurance Office Ltd.	3.72.	If it can be demonstrated that there are over-estimated risks that out-weigh the under-estimated risks no capital add-on should occur. It is not appropriate to penalise a firm who has an under-estimated risk for a failing in the generic formula, if in other aspects they are penalised. The holistic view is surely what we want – not an approach that is overly prudent. The approach of only penalising firms for specific risks that are underestimated is less likely to encourage firms to adopt better risk mitigation techniques.	See comment 4 above.
386.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.72.	If it can be demonstrated that there are over-estimated risks that out-weigh the under-estimated risks no capital add-on should occur. It is not appropriate to penalise a firm who has an under-estimated risk for a failing in the generic formula, if in other aspects they are penalised. The holistic view is surely what we want – not an approach that is overly prudent. The approach of only penalising firms for specific risks that are underestimated is less likely to encourage firms to adopt better risk mitigation techniques.	See comment 4 above.

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387.	AAS BALTA	3.73.	Reference 3.72 – disagree with this.	See comment 4 above.	
388.	AB Lietuvos draudimas	3.73.	Reference 3.72 – disagree with this.	See comment 4 above.	
389.	Association of British Insurers	3.73.	<p>Overestimated risks should be taken into account when considering the urgency of a capital add-on.</p> <p>Where certain sub risks have been overstated, this should be considered in the assessment of the significance of the deviation and the protection of policyholders’ interests. In such circumstances, the overstated risks would act as a short term buffer, which the insurer could use in the short term while it remedies the situation. This would not systematically for the imposition of a capital add-on.</p> <p>See comments under 3.71</p>	<p>See comment 4 above.</p> <p>CEIOPS believes that overestimated risks should not be taken into account in the urgency of a capital add-on. If they are identified and properly assessed they are considered for the quantification of the add-on, if not they cannot be considered, not even for the urgency of the add-on.</p>	
390.					
391.					
392.					
393.	CEA, ECO-SLV-09-452	3.73.	<p>Overestimated risks should be taken into account when considering the urgency of a capital add-on.</p> <p>The situation mentioned in which certain sub risks are overstated should be included in the assessment regarding the significance of the deviation and the possibility of harm to the interests of the policyholders. The overstated risks would act as a short term buffer, which the insurer could use to solve the situation. Ceiops should take this into account in their assessment regarding the urgency of a direct need for a capital add-on.</p>	See comment 389 above.	
394.	DENMARK:	3.73.	Reference 3.72 – disagree with this.	See comment 4 above.	

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	Codan Forsikring A/S (10529638)				
395.	German Insurance Association – Gesamtverband der D	3.73.	<p>Overestimated risks should be taken into account when considering the urgency of a capital add-on.</p> <p>The situation mentioned in which certain sub risk are overstated should be included in the assessment regarding the significance of the deviation and the possibility of harm to the interests of the policyholders. The overstated risks would act as a short term buffer, which the insurer could use to solve the situation. CEIOPS should take this into account in their assessment regarding the urgency of a direct need for a capital add-on.</p>	See comment 389 above.	
396.	Groupe Consultatif	3.73.	We strongly disagree with the majority preference for the first approach. Risk quantification is not an exact science and not to take account of over-estimation as well as under-estimation would considerably complicate matters both for undertakings and for their actuarial functions.	See comment 4 above.	
397.	Institut des actuaires (France)	3.73.	<p>Institut des Actuares disagrees with CEIOPS on the consideration regarding the spirit of Level 1 text. We agree that no allowance for reduction in SCR is made by article 37 of Level 1 text in the cases where risks are overestimated. However, we believe that Article 37(2) focusses on the general objective of Article 101(3) to set up the capital add-on, and thus that capital add-on should be estimated on a net basis with underestimated and overestimated risks, with no allowance for SCR reduction in the case where net basis will be negative.</p> <p>Institut des Actuares does not believe that this would lead to unfair situations since principle exposed in Article 37(2) and Article 101(3) are respected.</p>	See comment 4 above.	

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398.	Link4 Towarzystw o Ubezpieczeń SA	3.73.	Reference 3.72 – disagree with this.	See comment 4 above.	
399.	Lloyd's	3.73.	Please see our comment under 3.71.	Noted.	
400.	Munich RE	3.73.	Overestimated risks should be taken into account when considering the urgency of a capital add-on. The situation mentioned in which certain sub risk are overstated should be included in the assessment regarding the significance of the deviation and the possibility of harm to the interests of the policyholders. The overstated risks would act as a short term buffer, which the insurer could use to solve the situation. CEIOPS should take this into account in their assessment regarding the urgency of a direct need for a capital add-on.	See comment 389 above.	
401.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.73.	Reference 3.72 – disagree with this.	See comment 4 above.	
402.	Pearl Group Life	3.73.	CEIOPS seems to avoid committing on the offsetting of over and under estimated risks for Internal Models but this should be allowed provided the overriding requirement, VaR at 99.5% for a one-year time horizon, is met.	See comment 4 above.	
403.	RSA Insurance Group PLC	3.73.	Reference 3.72 – disagree with this.	See comment 4 above.	

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404.	RSA Insurance Ireland Ltd	3.73.	Reference 3.72 – disagree with this.	See comment 4 above.	
405.	RSA - Sun Insurance Office Ltd.	3.73.	Reference 3.72 – disagree with this.	See comment 4 above.	
406.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.73.	Reference 3.72 – disagree with this.	See comment 4 above.	
407.	Association of British Insurers	3.75.	We agree with the minority of CEIOPS' members that the second approach would be more in line with the level 1 text. See comments under 3.71	See comment 4 above.	
408.					
409.					
410.					
411.			Confidential comment deleted	Noted	
412.	Pearl Group Life	3.75.	We agree with the minority of CEIOPS' members that the second approach would be more in line with the level 1 text. See comments under 3.71	See comment 4 above.	
413.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCE	3.76.	We fully agree with this paragraph.	Noted	

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	CES DU				
414.	Association of British Insurers	3.76.	We fully agree with the rationale provided here.	Noted.	
415.					
416.					
417.					
418.	CEA, ECO-SLV-09-452	3.76.	We fully agree with this paragraph.	Noted.	
419.	Lloyd's	3.76.	We agree with this analysis.	Noted.	
420.	Munich RE	3.76.	We fully agree with this paragraph.	Noted.	
421.	Pearl Group Life	3.76.	We fully agree with the rationale provided here.	Noted.	
422.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.77.	We fully agree with this paragraph.	Noted	
423.	AAS BALTA	3.78.	If point c) is fully believed you could never do an add-on. It appears to say the formulas are so complex it is hard to work anything out. This comment should be removed.	Or hardly ever, exactly. The point is that if supervisors were responsible for determining and recalculating over- as well as underestimated risks themselves	

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				this would be extremely challenging as it requires a completely individual re-calculation of the SCR per undertaking.	
424.	AB Lietuvos draudimas	3.78.	If point c) is fully believed you could never do an add-on. It appears to say the formulas are so complex it is hard to work anything out. This comment should be removed.	See comment 423 above.	
425.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.78.	We do not agree with the arguments listed, since it is not reasonable to argue that only underestimations of risks can be detected and overestimations of risks cannot be detected due to the complexity of the standard formula.		
426.	CEA, ECO-SLV-09-452	3.78.	We do not agree with the arguments listed, since it is not reasonable to argue that only underestimations of risks can be detected and overestimations of risks cannot be detected due to the complexity of the standard formula.	The argument is not that overestimations cannot be detected but that the amount of work required if supervisors were to determine overestimations themselves and calculate the adequate capital charge for each risk not properly taken into account is not feasible as this would involve individual recalculations by the supervisor which is very complex and work intensive.	
427.	DENMARK: Codan Forsikring	3.78.	If point c) is fully believed you could never do an add-on. It appears to say the formulas are so complex it is hard to work anything out. This comment should be removed.	See comment 423 above.	

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	A/S (10529638)				
428.	German Insurance Association – Gesamtverband der D	3.78.	We do not agree with the arguments listed, since it is not reasonable to argue that only underestimations of risks can be detected and overestimations of risks cannot be detected due to the complexity of the standard formula.		See comment 426 above.
429.	Link4 Towarzystwo Ubezpieczeń SA	3.78.	If point c) is fully believed you could never do an add-on. It appears to say the formulas are so complex it is hard to work anything out. This comment should be removed.		See comment 423 above.
430.	Munich RE	3.78.	We do not agree with the arguments listed, since it is not reasonable to argue only underestimations can be detected and overestimation can not be detected due to the complexity of the standard formula.		See comment 426 above.
431.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.78.	If point c) is fully believed you could never do an add-on. It appears to say the formulas are so complex it is hard to work anything out. This comment should be removed.		See comment 423 above.
432.	RSA Insurance Group PLC	3.78.	If point c) is fully believed you could never do an add-on. It appears to say the formulas are so complex it is hard to work anything out. This comment should be removed.		See comment 423 above.
433.	RSA Insurance Ireland Ltd	3.78.	If point c) is fully believed you could never do an add-on. It appears to say the formulas are so complex it is hard to work anything out. This comment should be removed.		See comment 423 above.
434.	RSA - Sun	3.78.	If point c) is fully believed you could never do an add-on. It		See comment 423 above.

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	Insurance Office Ltd.		appears to say the formulas are so complex it is hard to work anything out. This comment should be removed.		
435.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.78.	If point c) is fully believed you could never do an add-on. It appears to say the formulas are so complex it is hard to work anything out. This comment should be removed.		See comment 423 above.
436.	International Underwriting Association of London	3.79.	We appreciate CEIOPS reasoning for ignoring risks which are overestimated. However, equally, no capital reduction exists for risks which are overestimated (although there is the provision to opt for an internal model). Where both underestimated and overestimated risks exist, then it should be apparent that the standard formula does not fit the risk profile of the firm particularly well. We therefore think in such circumstances that firms should be encouraged to adopt an internal model (where it is proportionate to do so), rather than have a capital add-on proposed, providing that 99.5% VaR confidence level has not been breached. We therefore strongly agree with CEIOPS' view put forward in paragraph 3.81		Noted.
437.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.81.	Undertakings should have an opportunity to argue that their SCR is in line with the VaR 99.5% for a one year period. We believe that a better solution would be to consider overestimated risks in all cases.		Noted
438.	Association of British Insurers	3.81.	Whilst we believe it would be preferable to consider overestimated and underestimated risks in all circumstances, we are not opposed to the alternative proposed here – that undertakings would have to demonstrate compliance with the overall SCR, taking into account overestimated risks.		Noted.
439.					

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440.					
441.					
442.			Confidential comment deleted		Noted
443.	CEA, ECO-SLV- 09-452	3.81.	Undertakings should have an opportunity to argue that their SCR is in line with the VaR 99.5% for a one year period. We believe that a better solution would be to consider overestimated risks in all cases. There also needs to be a well defined process for undertakings to appeal to supervisors. See also our comments on 3.71.		Noted. See comment 9 above.
444.	CRO Forum	3.81.	The CRO forum strongly supports taking into account overestimated risks to achieve an overall SCR in line with the VAR 99.5 % for a one year period, though more clarity is requested around the practical application, for eg it may be difficult to derive suitable benchmarks for certain risk types.		Noted.
445.	German Insurance Association – Gesamtverb and der D	3.81.	Undertakings should have an opportunity to argue that their SCR is in line with the VaR 99.5% for a one year period. We believe that a better solution would be to consider overestimated risks in all cases. There also needs to be a well defined process for undertakings to appeal to supervisors. See also our comments on 3.71.		Noted.
446.	GROUPAMA	3.81.	To have an overall SCR in line with the VAR 99.5 % for a one year period, we strongly support to take into account overestimated risks if undertaking can evidence and quantify the overestimation.		Noted.

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447.	Groupe Consultatif	3.81.	This appears to be a reasonable approach in principle.	Noted.	
448.	International Underwriting Association of London	3.81.	We strongly agree with this paragraph, and affords a workable compromise to the issues outlined regarding overestimation and underestimation of risks.	Noted.	
449.	Lloyd's	3.81.	The proposal here appears to be acceptable.	Noted.	
450.	Munich RE	3.81.	Undertakings should have an opportunity to argue that their SCR is in line with the VaR 99.5% for a one year period. We believe that a better solution would be to consider overestimated risks in all cases There needs to be a well defined process for undertakings to appeal to supervisors.	Noted.	
451.	XL Capital Ltd	3.81.	We disagree with CEIOPS. As indicated in para 3.71, we believe that all risks should be taken into account when evaluating the significance of a deviation, and not only those risks that are underestimated.	Noted.	
452.	AAS BALTA	3.82.	Strongly agree.	Noted. CEIOPS appreciates the support.	
453.	AB Lietuvos draudimas	3.82.	Strongly agree.	Noted. CEIOPS appreciates the support.	
454.	DENMARK: Codan Forsikring A/S (10529638)	3.82.	Strongly agree.	Noted. CEIOPS appreciates the support.	
455.	Groupe Consultatif	3.82.	We agree that the level of own funds is not normally of any relevance.	Noted. CEIOPS appreciates the support.	

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456.	Link4 Towarzystw o Ubezpieczeń SA	3.82.	Strongly agree.		Noted. CEIOPS appreciates the support.
457.	Lloyd's	3.82.	The excess of own funds over the SCR should be taken into account when determining whether a deviation is significant. Any deviations should however be corrected within a reasonable timeframe and reflected in the SCR as appropriate. This does not detract from the need for an entity to cover its SCR.		The level of own funds does not influence the assessment of whether a deviation is significant. On the contrary it would provide an inaccurate level of the capital required commensurate with the risk profile.
458.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.82.	Strongly agree.		Noted. CEIOPS appreciates the support.
459.	Pricewaterho useCoopers LLP	3.82.	We agree with the level of own funds should not be taken into account in deciding whether or not undertakings should be subject to a capital add-on as it will provide an inaccurate position of the capital required commensurate with the risk profile.		Noted. CEIOPS appreciates the support.
460.	RSA Insurance Group PLC	3.82.	Strongly agree.		Noted. CEIOPS appreciates the support.
461.	RSA Insurance Ireland Ltd	3.82.	Strongly agree.		Noted. CEIOPS appreciates the support.
462.	RSA - Sun Insurance	3.82.	Strongly agree.		Noted. CEIOPS appreciates the support.

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	Office Ltd.				
463.	SWEDEN: Trygg-Hansa Försäkrings AB (516401- 7799)	3.82.	Strongly agree.	Noted. CEIOPS appreciates the support.	
464.	CRO Forum	3.83.	<p>We would like to note that if the amount of an “own funds buffer” is small, a capital add-on could have dire consequences of the solvency of the firm. Given that the solvency position of a firm is disclosed, the market reaction to a weak solvency position could be significant and kick start a sequence of events that weaken the firm’s solvency further.</p> <p>Also, such an approach does not appear to be in keeping with principles of applying capital add-ons in “exceptional” circumstances and as “last resort” measure. For this to be the case, consideration of the level of own funds should ideally be made.</p>	<p>CEIOPS is well aware of this fact.</p> <p>The whole point of public disclosure is to put pressure on undertakings to do well so that they have nothing negative to disclose that could have an adverse impact on their situation.</p> <p>The level of own funds has no impact on the fact that the capital requirement is not commensurate with the risk profile in cases of a significant deviation.</p>	
465.	XL Capital Ltd	3.83.	We agree with the rationale of this paragraph.	Noted.	
466.	Association of British Insurers	3.85.	We would support a broader definition of failures in the event of a risk profile add-on applied to an internal model.	Noted.	
467.					
468.					
469.					
470.	CEA,	3.85.	We would favour the broader interpretation (b.ii). However clear	Noted.	

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	ECO-SLV-09-452		guidance should be given in which situations this broader interpretation can be used.	
471.	Lloyd's	3.85.	We agree with the broader interpretation in 3.85 b) ii, although clear guidance in which situations this broader definition can be used would be helpful.	Noted.
472.	Pearl Group Life	3.85.	We would support a broader definition of failures in the event of a risk profile add-on applied to an internal model.	Noted.
473.	XL Capital Ltd	3.85.	We support the wider definition set out in sub-para ii.	Noted.
474.	Groupe Consultatif	3.86.	We favour the broader approach. We would expect that the risk of this is negligible once a model has been approved.	Noted.
475.	PricewaterhouseCoopers LLP	3.86.	Whilst we agree and understand that prescriptive list of situations in which a capital add-on may apply will become outdated and more importantly may remove the onus from the administrative or management body in taking full responsibility for ensuring the model is fully aligned with the risk profile, we think that there is some merit in regular (annual) broad industry guidance or themes in the general areas which companies need to consider when performing model updates.	Noted.
476.				
477.	Association of British Insurers	3.92.	Also covers 3.93We welcome the qualitative principles based approach taken by CEIOPS and the list of examples provided as illustration.	Noted.
478.				
479.				

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480.					
481.	CEA, ECO-SLV- 09-452	3.92.	Assessment of significant deviation for risk profile capital add-on for undertakings using an internal model. We agree with the use of a principle based assessment. However it is important that the list in paragraph 3.93 is as comprehensive as possible.	Noted. CEIOPS believes a certain level of flexibility should be preserved.	
482.	CRO Forum	3.92.	We reiterate the point raised in 3.54	CEIOPS disagrees. Please refer to arguments on paragraphs 3.95 and 3.97.	
483.	International Underwriting Association of London	3.92.	We agree that CEIOPS should follow a principles based qualitative assessment of a "significant deviation", although consistency between supervisory approaches will also be important (although the use of principles should facilitate this).	Noted.	
484.	Lloyd's	3.92.	We agree with the principles-based assessment approach to determine the significance of non-compliance.	Noted.	
485.	Milliman	3.92.	A principles-based qualitative assessment as described for assessing the significance of deviation when using an internal model may lead to differences of application between supervisory authorities. Even if a complete set of deviations may not be easy to prepare, it would be useful for undertakings to have a clear view of possible deviations and rules. This view could be even more clarified if experience gathered by supervisory authorities as time evolves is also shared with undertakings.	See comment 482 above.	
486.	Pearl Group Life	3.92.	We welcome the qualitative principles based approach taken by CEIOPS and the list of examples provided as illustration.	Noted.	

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487.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.93.	See our comments on 3.92.	
488.	CEA, ECO-SLV-09-452	3.93.	See our comments on 3.92.	Noted.
489.	Lloyd's	3.93.	The list of possible elements to be taken into account when assessing significance of non-compliance should be as comprehensive as possible. We would welcome further clarification on the 'specific' stress scenarios referred to in sub-paragraph f.	See comment 481 above.
490.	Pearl Group Life	3.93.	We welcome the qualitative principles based approach taken by CEIOPS and the list of examples provided as illustration.	Noted.
491.	AAS BALTA	3.94.	Support option 3. 5% is too low to be meaningful. Suggest 10% is a relevant threshold.	See new paragraph 3.68.
492.	AB Lietuvos draudimas	3.94.	Support option 3. 5% is too low to be meaningful. Suggest 10% is a relevant threshold.	See new paragraph 3.68.
493.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.94.	Option 3 leads to case-by-case assessment.	Noted
494.	Association of British	3.94.	See comments under 3.52	Noted.

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	Insurers				
495.					
496.					
497.					
498.			Confidential comment deleted		
499.	CEA, ECO-SLV- 09-452	3.94.	<p>We support option 3 for assessing significant deviation from risk profile when using an internal model: A harmonised reference value of [5%-15%] of the overall SCR is established at Level 2. This reference value serves as a rebuttable presumption that the deviation is significant. Supervisory authorities may decide to depart from it (in both ways) based on the application of harmonised criteria established at Level 2.</p> <p>We support option 3 and agree with the proposed criteria, on condition that there is supervisory convergence and that case-by-case applicability is granted. We do not see a reason to impose a capital add-on for risk profile deviation once an undertaking is using an "approved" internal model.</p> <p>We agree with Ceiops that the reference value should be set at Level 2 and not a Level 3. In addition, we would like to stress that a range between 5% - 15% does not establish a reference value. The range is too large to act as a clear reference value for significant deviation and harmonisation. We would propose a reference value between 10%-15%.</p>	<p>Noted.</p> <p>See comment 9 above.</p> <p>See new paragraph</p>	
500.	CRO Forum	3.94.	We would like to express our support for a more harmonised approach while stressing the importance of a pragmatism. I.e. We	Noted.	

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			could support Option 3, requesting further guidance on the harmonised criteria that would apply. We would support the regulator having the discretion to amend the threshold in exceptional clearly defined circumstances which are to be included in the Level 2 guidance		
501.	DENMARK: Codan Forsikring A/S (10529638)	3.94.	Support option 3. 5% is too low to be meaningful. Suggest 10% is a relevant threshold.	See new paragraph.	
502.			Confidential comment deleted		
503.	German Insurance Association – Gesamtverb and der D	3.94.	<p>We support option 3 for assessing significant deviation from risk profile when using an internal model: A harmonised reference value of [5%-15%] of the overall SCR is established at Level 2. This reference value serves as a rebuttable presumption that the deviation is significant. Supervisory authorities may decide to depart from it (in both ways) based on the application of harmonised criteria established at Level 2.</p> <p>We support option 3 and agree with the proposed criteria, on condition that there is supervisory convergence and that case-by-case applicability is granted. We do not see a reason to impose a capital add-on for risk profile deviation once an undertaking is using an “approved” internal model.</p> <p>We agree with CEIOPS that the reference value should be set at Level 2 and not a Level 3. In addition, we would like to stress that a range between 5% - 15% does not establish a reference value. The range is too large to act as a clear reference value for significant deviation and harmonisation. We would propose a</p>	<p>Noted.</p> <p>Risk profile add-ons for approved internal models are clearly envisaged in the Level 1 text in article 37(1) (b).</p> <p>See new paragraph</p>	

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			reference value between 10%-15%.	
504.	GROUPAMA	3.94.	We support option 2	Noted.
505.	Groupe Consultatif	3.94.	Our comments on 3.52 would apply here also. We see no reason why the reference values should be different for users of internal models as compared with users of the standard formula.	CEIOPS does not propose differences. The reference values are the same.
506.	Institut des actuaires (France)	3.94.	See comment 3.52	Noted.
507.	Link4 Towarzystwo Ubezpieczeń SA	3.94.	Support option 3. 5% is too low to be meaningful. Suggest 10% is a relevant threshold.	See new paragraph.
508.	Lloyd's	3.94.	We support Option 3 for assessing the quantitative significance of a deviation of the risk profile when using an internal model.	Noted.
509.	Munich RE	3.94.	We support Option 2 in the first instance, though we believe that option 3 could also be considered. Please also see our first comment on 3.52.	Noted.
510.	NORWAY: Codan Forsikring (Branch Norway) (991 502)	3.94.	Support option 3. 5% is too low to be meaningful. Suggest 10% is a relevant threshold.	See new paragraph
511.	Pearl Group Life	3.94.	We support Option 3, with the caveat that the supervisory authorities do actually exercise their option to depart from the reference value where appropriate. Otherwise this would become Option 2 which is our least preferred option as we believe it is important, in fact essential, that the supervisory authority do apply	Noted.

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			<p>judgement when making these decisions.</p> <p>For Risk Profile Add-Ons CEIOPS proposes a reference value of [5% - 15%] of the overall SCR.</p> <p>If a capital-add on is added then this will have to be published so we should be trying to make this as high as possible. However, it is difficult to argue that a 5% of SCR capital add-on isn't significant and so we propose 5%.</p>	Noted.
512.	PricewaterhouseCoopers LLP	3.94.	See 3.52	Noted.
513.	RSA Insurance Group PLC	3.94.	Support option 3. 5% is too low to be meaningful. Suggest 10% is a relevant threshold.	See new paragraph
514.	RSA Insurance Ireland Ltd	3.94.	Support option 3. 5% is too low to be meaningful. Suggest 10% is a relevant threshold.	See new paragraph
515.	RSA - Sun Insurance Office Ltd.	3.94.	Support option 3. 5% is too low to be meaningful. Suggest 10% is a relevant threshold.	See new paragraph
516.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.94.	Support option 3. 5% is too low to be meaningful. Suggest 10% is a relevant threshold.	See new paragraph
517.	XL Capital Ltd	3.94.	See comments in para 3.52.	Noted.
518.	ACA –	3.96.	The relevance of comparison with results of the standard model is	Noted

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	ASSOCIATION DES COMPAGNIES D'ASSURANCES DU		doubtful in the case of undertaking using an internal model based on its characteristics.		
519.	Association of British Insurers	3.96.	As the internal model will be tailored to the undertakings risk profile and will therefore capture its risks more adequately, we believe the input from the SCR standard formula in the risk profile assessment should be limited.	Noted.	
520.					
521.					
522.					
523.			Confidential comment deleted		
524.	CEA, ECO-SLV-09-452	3.96.	This text relates to undertakings using an internal model. Therefore standard formula cannot be used as an input. We disagree with the statement that the standard formula assumptions can act as an input. The internal model is based on the characteristics of the insurer itself and is not based on European variables.	CEIOPS disagrees. The standard formula assumptions are only one other possible factor to be taken into account.	
525.	CRO Forum	3.96.	How will supervisors ensure harmonisation between the different choices of data, mathematical models and their estimation methods?	Flexibility is needed and it is impossible to predict all circumstances especially on internal models. Please refer to paragraph 3.222. CEIOPS may develop Level 3 guidance on the application of the criteria by supervisory authorities when	

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				assessing the significance of a deviation. Please refer to paragraph 3.105. Please also refer refer to Article 51 of the Level 1 text: The Committee of European Insurance and Occupational Pensions Supervisors shall provide the information referred to in paragraph 2 to the European Parliament, the Council and the Commission, together with a report outlining the degree of supervisory convergence in the use of capital add-ons between supervisory authorities in the different Member States.	
526.	German Insurance Association – Gesamtverb and der D	3.96.	<p>This text relates to undertaking using an internal model. Therefore standard formula cannot be used as an input.</p> <p>We disagree with the statement that the standard formula assumptions can act as an input. The internal model is based on the characteristics of the insurer itself and is not based on European variables.</p>	CEIOPS disagrees. The standard formula assumptions are among the factors to be taken into account.	
527.	Lloyd's	3.96.	We do not agree that 'the SCR standard formula assumptions' should be used as input for the assessment of deviations of SCR determined under the internal model. The very fact that an entity is using an internal model is because its risk profile differs materially from the profile assumed under the SCR standard formula, and the supervisor, in having given its approval of the internal model, has recognised this.	See comment 526 above.	
528.	Munich RE	3.96.	This text relates to undertaking using an internal model. Therefore	See comment 526 above.	

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			standard formula cannot be used as an input.		
529.	Pearl Group Life	3.96.	<p>As the internal model will be tailored to the undertakings risk profile and will therefore capture its risks more adequately, we believe the input from the SCR standard formula in the risk profile assessment should be limited.</p> <p>For Risk Profile Add-Ons CEIOPS proposes a reference value of [5% - 15%] of the overall SCR. If a capital-add on is added then this will have to be published so we should be trying to make this as high as possible. However, it is difficult to argue that a 5% capital add-on isn't significant and so suggest we propose 5%. The range should be set at Level 2.</p>	<p>See comment 526 above.</p> <p>See new paragraph</p>	
530.	Institut des actuaires (France)	3.98.	Institut des Actuaires agrees with CEIOPS proposal to favour Option 1.	Noted.	
531.	Pearl Group Life	3.98.	See comments under 3.96	See comment 526 above and new paragraph	
532.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.99.	The threshold should be set at a range which act as a sufficient deterrent for insurers to avoid any capital add ons and which ensures the interest of policyholders not to be endangered. In this consideration CEIOPS should also assess that the capital add-ons are disclosed and that the insurer will already be publically held accountable by its stakeholders. Because of this we would favour to set the threshold not at a too low percentage. If necessary as mentioned by CEIOPS supervisors could deviate from this threshold in certain situations subject to harmonised criteria.	Noted	
533.	Association of British	3.99.	See comments under 3.52	Noted.	

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	Insurers			
534.				
535.				
536.				
537.	CEA, ECO-SLV-09-452	3.99.	<p>Reference value for significant deviation should be set at Level 2 and should not be too low.</p> <p>In our opinion if a threshold is to be set, it should be done at level 2. The threshold has clear relations with the calibration and other variables already set at level 1 or level 2. Thus any change should always be done in conjunction with these other variables.</p> <p>The threshold should be set at a range which would act as a sufficient deterrent for insurers to avoid any capital add- ons and which ensures the interest of policyholders not to be endangered. In this consideration Ceiops should also assess that the capital add- ons are disclosed and that the insurer will already be publically held accountable by its stakeholders. Because of this we would favour to set the threshold not at a too low percentage. Therefore the range should be between 10% and 15%. If necessary, as mentioned by Ceiops, supervisors could deviate from this threshold in certain situations subject to harmonised criteria.</p>	<p>Noted. CEIOPS believes the reference value is appropriate.</p> <p>Noted.</p> <p>See new paragraph 3.68.</p>
538.	German Insurance Association – Gesamtverb and der D	3.99.	<p>Reference value for significant deviation should be set at Level 2 and should not be too low.</p> <p>In our opinion if a threshold is to be set, it should be done at level 2. The threshold has clear relations with the calibration and other variables already set at level 1 or level 2. Thus any change should always be done in conjunction with these other variables.</p>	<p>Noted. CEIOPS believe the reference value is appropriate.</p> <p>Noted.</p>

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			The threshold should be set at a range which act as a sufficient deterrent for insurers to avoid any capital add ons and which ensures the interest of policyholders not to be endangered. In this consideration CEIOPS should also assess that the capital add-ons are disclosed and that the insurer will already be publically held accountable by its stakeholders. Because of this we would favour to set the threshold not at a too low percentage. Therefore the range should be between 10% and 15%. If necessary as mentioned by CEIOPS supervisors could deviate from this threshold in certain situations subject to harmonised criteria.	See new paragraph 3.68.
539.	Groupe Consultatif	3.99.	We can support Option 3, but based on a reference value of 20%, which we believe should be specified at Level 2.	See new paragraph 3.68.
540.	Lloyd's	3.99.	The reference value or range of values to assess the significance of a risk profile deviation should be set at a level which will protect policyholders' interests. This should be set at Level 2, thus providing a clear benchmark for use by supervisory authorities across Europe.	Noted. Noted.
541.	Milliman	3.99.	The mention of a reference value seems premature at this stage when discussing about a possible way to quantitatively assess a significant deviation of the risk profile. Further, it seems difficult at this stage to give an opinion on the level of the reference value of [5% - 15%] mentioned in the CP. Further details would be necessary to better understand the harmonised criteria which will be applied by the supervisory authority for departing from the reference value being established.	Noted.
542.	XL Capital Ltd	3.99.	See comments in para 3.66.	Noted.

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543.	Association of British Insurers	3.100.	We agree it should be possible for supervisors to depart from the reference value in exceptional circumstances.	Noted.	
544.					
545.					
546.					
547.			Confidential comment deleted		
548.	CRO Forum	3.101.	Policyholder protection requires regulatory consistency to ensure companies will not use regulatory arbitrage to move to the weakest regulator. For this reason, we consider harmonisation of regulatory approach a priority.	Noted.	
549.	DIMA (Dublin International Insurance & Management	3.101.	Policyholder protection requires regulatory consistency to ensure companies will not use regulatory arbitrage to move to the weakest regulator. For this reason, harmonisation among the different regulators should be considered a priority.	Noted.	
550.			Confidential comment deleted	Noted	
551.	CRO Forum	3.102.	How will harmonisation be achieved? What specific projects are planned to deliver this outcome? Until harmonisation is achieved, the application of add-ons is flawed and potentially redundant, as the ability to create a level playing field is not guaranteed.	See section on supervisory convergence.	
552.	AAS BALTA	3.104.	We must consider over and under-estimation. If we do not firms will avoid any conservatism in any model or calculation as there is no reward for it and only penalties on under-estimation.	See new paragraphs	
553.	AB Lietuvos draudimas	3.104.	We must consider over and under-estimation. If we do not firms will avoid any conservatism in any model or calculation as there is	See new paragraphs	

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			no reward for it and only penalties on under-estimation.		
554.	DENMARK: Codan Forsikring A/S (10529638)	3.104.	We must consider over and under-estimation. If we do not firms will avoid any conservatism in any model or calculation as there is no reward for it and only penalties on under-estimation.	See new paragraphs	
555.	Link4 Towarzystw o Ubezpieczeń SA	3.104.	We must consider over and under-estimation. If we do not firms will avoid any conservatism in any model or calculation as there is no reward for it and only penalties on under-estimation.	See new paragraphs	
556.	NORWAY: Codan Forsikring (Branch Norway) (991 502)	3.104.	We must consider over and under-estimation. If we do not firms will avoid any conservatism in any model or calculation as there is no reward for it and only penalties on under-estimation.	See new paragraphs	
557.	RSA Insurance Group PLC	3.104.	We must consider over and under-estimation. If we do not firms will avoid any conservatism in any model or calculation as there is no reward for it and only penalties on under-estimation.	See new paragraphs	
558.	RSA Insurance Ireland Ltd	3.104.	We must consider over and under-estimation. If we do not firms will avoid any conservatism in any model or calculation as there is no reward for it and only penalties on under-estimation.	See new paragraphs	
559.	RSA - Sun Insurance Office Ltd.	3.104.	We must consider over and under-estimation. If we do not firms will avoid any conservatism in any model or calculation as there is no reward for it and only penalties on under-estimation.	See new paragraphs	
560.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-	3.104.	We must consider over and under-estimation. If we do not firms will avoid any conservatism in any model or calculation as there is no reward for it and only penalties on under-estimation.	See new paragraphs	

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	7799)				
561.	Groupe Consultatif	3.106.	We agree that the specificities in the case of an internal model are different than for users of the standard formula. Nevertheless Groupe Consultatif favours offsetting over-estimation and under-estimation, because we believe that not to do so would discourage the development of internal modelling as a discipline.	See new paragraphs	
562.			Confidential comment deleted		
563.	CRO Forum	3.107.	What specific work is underway to develop a capital add-on process for partial internal models? When is such a process likely to be finalised? What is the current thinking on the overlaps between the capital add-on process for full internal models?	The paragraph was deleted in the final Advice.	
564.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.109.	Further detail is required on the supervisory powers to prevent the undertaking from increasing the deviation by taking further risks. We insist that in any case undertakings should not be prevented from developing any new business. Such measures should be limited.	Noted	
565.	Association of British Insurers	3.109.	Further detail is required on the supervisory powers to prevent the undertaking from increasing the deviation by taking further risks. Undertakings should not be prevented from developing any new business. Such measures should be limited and a sensible approach should be implemented.	Flexibility is needed and impossible to predict all circumstances especially on internal models. Please refer to paragraph 3.222	
566.					
567.					
568.					
569.			Confidential comment deleted		
570.	CEA,	3.109.	We would ask supervisors to give undertakings a choice of	See comment 565 above.	

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	ECO-SLV-09-452		alternative measures to comply with in case one of them prevents undertakings from writing new business.		
571.	CRO Forum	3.109.	<p>It is stated that the supervisor can take measures to prevent the undertaking from increasing the deviation by taking further risks. Please clarify to avoid misunderstanding.</p> <p>The CRO forum strongly believes that undertakings should not be prevented from developing new business and that such measures should be only applied as a last resort or where policyholder protection is at risk.</p>	See comment 565 above.	
572.	FFSA	3.109.	<p>As regards risk Capital add-on Assessment – internal model, § 3.109 states that the supervisor can take measures to prevent the undertaking from increasing the deviation.</p> <p>Precisions are requested on this statement so as to avoid any misunderstanding. FFSA insists that undertakings should in any cases not be prevented to develop any new business. Such measures should be limited.</p>	See comment 565 above.	
573.	German Insurance Association – Gesamtverb and der D	3.109.	We would ask supervisors to give undertakings a choice of alternative measures to comply with in case one of them prevents undertakings from writing new business.	See comment 565 above.	
574.	GROUPAMA	3.109.	<p>As regards risk Capital add-on Assessment – internal model, § 3.109 states that the supervisor can take measures to prevent the undertaking from increasing the deviation.</p> <p>Precisions are requested on this statement so as to avoid any misunderstanding. GROUPAMA insist that undertakings should in</p>	See comment 565 above.	

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			any cases not be prevented to develop any new business. Such measures should be limited.		
575.	Munich RE	3.109.	We would ask supervisors to give undertakings a choice of alternative measures to comply with in case one of them prevents undertakings from writing new business.	See comment 565 above.	
576.	Pearl Group Life	3.109.	Further detail is required on the supervisory powers to prevent the undertaking from increasing the deviation by taking further risks. This needs to be interpreted sensible and should only be used to stop the taking of uncontrolled risks in the same area it should not impact a company taking controlled risks in other areas of its business.	See comment 565 above.	
577.	PricewaterhouseCoopers LLP	3.109.	It would be helpful to have clarification on the other supervisory powers which could be imposed.	See comment 565 above.	
578.	XL Capital Ltd	3.109.	The nature of 'other' supervisory powers which may be used to prevent undertakings from increasing the deviation needs to be clarified.	See comment 565 above.	
579.	CRO Forum	3.111.	We feel that the timeframes should also have regard to the risk management, capital management and governance activities that are or will be imminently undertaken by the firm. Timeframes should also ideally allow for external market factors, eg where a systemic market failure / shock makes this a necessary consideration	This type of considerations may fall within governance capital add-ons and not risk profile capital add-ons. Noted. This idea is implicitly present in point d) where there is a reference to nature and complexity of the risks inherent in the business of the undertaking.	

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580.	Lloyd's	3.112.	The extent to which an entity's own funds exceed the SCR should also be a factor in determining the timeframe.	Please refer to paragraph 3.85 of the consultation paper.	
581.	XL Capital Ltd	3.114.	We agree with the 3 conditions set out in this paragraph.	Noted.	
582.			Confidential comment deleted		
583.	CRO Forum	3.116.	If it is evident that different parameters are more appropriate, in practice it is likely that the undertaking could quickly update the SCR calculation and a capital add-on would no longer be required	Noted.	
584.	PricewaterhouseCoopers LLP	3.116.	It would be helpful to understand how CEIOPS envisages "measuring" governance deficiencies qualitatively.	Further details will be given at Level 3.	
585.	CRO Forum	3.117.	We support this point	Noted.	
586.	GROUPAMA	3.117.	We support this point	Noted.	
587.	CEA, ECO-SLV-09-452	3.118.	Governance should be viewed holistically. We strongly support the views given in this paragraph.	Noted. CEIOPS appreciates the support.	
588.	German Insurance Association – Gesamtverband der D	3.118.	Governance should be viewed holistically. We strongly support the views given in this paragraph.	Noted. CEIOPS appreciates the support.	
589.	Lloyd's	3.118.	We agree that governance should be viewed holistically.	Noted. CEIOPS appreciates the support.	
590.	PricewaterhouseCoopers LLP	3.118.	We envisage a significant deviation in governance could be judgemental and seek clarification of how supervisory authorities will ensure that the level playing field is achieved and upheld.	Further detail will be given at level 3.	

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591.	AAS BALTA	3.119.	Disagree. Behaviour has no place in the quantification of an add-on. Measures taken are to be considered but not behaviour.	How material an identified deficiency could potentially prove for the undertaking is also influenced by how it deals with the problem, e.g. whether the undertaking denies or plays down the deficiency or is reluctant for other reasons to address it in an effective manner.	
592.	AB Lietuvos draudimas	3.119.	Disagree. Behaviour has no place in the quantification of an add-on. Measures taken are to be considered but not behaviour.	See comment 591 above.	
593.	DENMARK: Codan Forsikring A/S (10529638)	3.119.	Disagree. Behaviour has no place in the quantification of an add-on. Measures taken are to be considered but not behaviour.	See comment 591 above.	
594.	Link4 Towarzystwo Ubezpieczeń SA	3.119.	Disagree. Behaviour has no place in the quantification of an add-on. Measures taken are to be considered but not behaviour.	See comment 591 above.	
595.	NORWAY: Codan Forsikring (Branch Norway) (991 502)	3.119.	Disagree. Behaviour has no place in the quantification of an add-on. Measures taken are to be considered but not behaviour.	See comment 591 above.	
596.	Pearl Group Life	3.119.	This paragraph seems strange and we think that "behaviour" should be replaced with "response".	See comment 591 above.	
597.	RSA	3.119.	Disagree. Behaviour has no place in the quantification of an add-on.	See comment 591 above.	

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	Insurance Group PLC		Measures taken are to be considered but not behaviour.		
598.	RSA Insurance Ireland Ltd	3.119.	Disagree. Behaviour has no place in the quantification of an add-on. Measures taken are to be considered but not behaviour.	See comment 591 above.	
599.	RSA - Sun Insurance Office Ltd.	3.119.	Disagree. Behaviour has no place in the quantification of an add-on. Measures taken are to be considered but not behaviour.	See comment 591 above.	
600.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.119.	Disagree. Behaviour has no place in the quantification of an add-on. Measures taken are to be considered but not behaviour.	See comment 591 above.	
601.	Association of British Insurers	3.122.	We agree with CEIOPS the proportionality principle should apply when supervisors will assess whether the system of governance implemented is adequate. We also agree firms' specificities should be taken into account.	Noted.	
602.					
603.					
604.					
605.	CEA, ECO-SLV-09-452	3.122.	Supervisors should take into account the proportionality principle and different ways of organising a system of governance when assessing significant deviation from governance standards. We strongly support the views given in this paragraph.	Noted.	
606.	German Insurance Association –	3.122.	Supervisors should take into account the proportionality principle and different ways of organising a system of governance when assessing significant deviation from governance standards. We strongly support the views given in this paragraph.	Noted.	

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	Gesamtverb and der D				
607.	Lloyd's	3.122.	We agree that a significant deviation due to non-compliance with a Level 1 or Level 2 requirement on governance standards should take into account the proportionality principle and the different ways of organising a proper system of governance.	Noted.	
608.	Munich RE	3.122.	We strongly support the views given in this paragraph.	Noted.	
609.	Pearl Group Life	3.122.	We agree with CEIOPS the proportionality principle should apply when supervisors will assess whether the system of governance implemented is adequate. We also agree firms' specificities should be taken into account.	Noted.	
610.	Association of British Insurers	3.123.	Supervisors across the EU may have different interpretations of "significant" deviation when it comes to governance. Appropriate harmonisation should be ensured in this respect to avoid possible regulatory arbitrage.	It is CEIOPS' aim to achieve appropriate harmonisation on the question of significance. Further details will be developed on Level 3.	
611.					
612.					
613.					
614.	ACA – ASSOCIATIO N DES COMPAGNIE S D'ASSURAN CES DU	3.126.	It is important to have some criteria at Level 2 to ensure harmonisation of assessing significant governance deviation. The approaches proposed in paragraph 3.126 offer a good basis for this. We still believe that harmonised criteria in traffic light or any other rating system will best serve the purpose of assessing the overall significance.	Noted	
615.	Association of British Insurers	3.126.	We agree with the different steps proposed by CEIOPS.	Noted.	

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616.					
617.					
618.					
619.	CEA, ECO-SLV- 09-452	3.126.	<p>It is important to have some criteria at Level 2 to ensure harmonisation of assessing significant governance deviation.</p> <p>The approaches proposed in paragraph 3.126 offer a good basis for this. We still believe that harmonised criteria in traffic light or any other rating system will best serve the purpose of assessing the overall significance.</p>	<p>Noted.</p> <p>CEIOPS does not favour a traffic light system (as set out in the Advice) since it prevents insurance companies from arranging their governance in a principle-based way. However, CEIOPS proposes to use a common risk assessment framework that is to be developed on Level 3 as a basis for assessing the significance of deviations.</p>	
620.	CRO Forum	3.126.	The CRO Forum is also not in favour of a "traffic light system", since this will significantly reduce the room for companies to organize their governance in a principles based way.	Noted.	
621.	German Insurance Association – Gesamtverb and der D	3.126.	<p>It is important to have some criteria at Level 2 to ensure harmonisation of assessing significant governance deviation.</p> <p>The approaches proposed in paragraph 3.126 offer a good basis for this. We still believe that harmonised criteria in traffic light or any other rating system will best serve the purpose of assessing the overall significance.</p>	<p>Noted.</p> <p>See comment 619 above.</p>	
622.	Lloyd's	3.126.	We agree with the proposed approaches for supervisors to identify and assess a significant governance deviation.	Noted.	
623.	Pearl Group	3.126.	We agree with the different steps proposed by CEIOPS.	Noted.	

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	Life			
624.	XL Capital Ltd	3.126.	We agree with the different approaches proposed in the paragraph.	Noted.
625.	PricewaterhouseCoopers LLP	3.128.	We concur that using a traffic light system (for regulator reporting) is not appropriate as Level 1 and 2 guidance should be considered equally. However, undertakings will need to have systems and processes in place internally to monitor deficiencies.	This is not about undertakings monitoring deficiencies. In the paragraph CEIOPS addresses the question of how supervisors could assess the significance of deviations.
626.	AAS BALTA	3.131.	Can point c be expanded to explain what "cover" means, e.g. own, write, manage, oversee etc.	See new wording in paragraph 3.135.
627.	AB Lietuvos draudimas	3.131.	Can point c be expanded to explain what "cover" means, e.g. own, write, manage, oversee etc.	See comment 626 above.
628.	CRO Forum	3.131.	We agree that the items listed qualify as significant.	Noted.
629.	DENMARK: Codan Forsikring A/S (10529638)	3.131.	Can point c be expanded to explain what "cover" means, e.g. own, write, manage, oversee etc.	See comment 626 above.
630.	Link4 Towarzystwo Ubezpieczeń SA	3.131.	Can point c be expanded to explain what "cover" means, e.g. own, write, manage, oversee etc.	See comment 626 above.
631.	NORWAY: Codan Forsikring (Branch Norway)	3.131.	Can point c be expanded to explain what "cover" means, e.g. own, write, manage, oversee etc.	See comment 626 above.

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	(991 502				
632.	RSA Insurance Group PLC	3.131.	Can point c be expanded to explain what "cover" means, e.g. own, write, manage, oversee etc.	See comment 626 above.	
633.	RSA Insurance Ireland Ltd	3.131.	Can point c be expanded to explain what "cover" means, e.g. own, write, manage, oversee etc.	See comment 626 above.	
634.	RSA - Sun Insurance Office Ltd.	3.131.	Can point c be expanded to explain what "cover" means, e.g. own, write, manage, oversee etc.	See comment 626 above.	
635.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.131.	Can point c be expanded to explain what "cover" means, e.g. own, write, manage, oversee etc.	See comment 626 above.	
636.	Groupe Consultatif	3.132.	While we support the intent, we do not agree that "excessive" risk-taking should be a matter purely of subjective judgement by undertaking and/or supervisor. Better that the supervisor should focus on tangible matters such as the process by which remuneration policy is formulated and is disclosed to stakeholders.	See new wording of paragraph 3.136.	
637.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.133.	It is mentioned that capital add-ons could be followed by other measures. This is not consistent with the view that a capital add-on is a measure of last resort. It should be the other way around. A capital add-on could follow other measures.	Noted	
638.			Confidential comment deleted	Noted	
639.	CEA,	3.133.	It is mentioned that capital add-ons could be followed by other	If a capital add-on is followed by	

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	ECO-SLV-09-452		measures. This is not consistent with the view that a capital add-on is a measure of last resort. It should be the other way around. A capital add-on could follow other measures.	other measures it means that a capital add-on alone is not sufficient to deal with the situation. "Last resort" means there is no less onerous measure to address the problem, it does however not preclude that there could be worse measures than the last resort (Capital add-on plus another measure).	
				Setting of an add-on "could be" followed by other measures. Consequently, it is only the indication that this catalogue is not closed and could be extended.	
640.	CRO Forum	3.133.	We believe additional advice is needed on assessment of the significance of a governance deviation, given that serious deficiencies in the system of governance could result not only in a capital add-on but also in other measures that could include stopping a firm's operations. Given the significance of this paragraph we believe it should be part of the level 2 advice.	As CEIOPS explained that is not possible at this point but will be further developed on Level 3.	
641.	DIMA (Dublin International Insurance & Management	3.133.	Additional advice on the assessment of the significance of a governance deviation should be introduced considering that serious deficiencies of the system of governance could imply not only a capital add-on but also other measures that could include stopping the operations. Given the importance of this paragraph, it should be part of the level 2 advice.	See comment 640 above.	
642.	PricewaterhouseCoopers LLP	3.133.	It would be helpful if CEIOPS could provide examples of other measures which the supervisory authority could adopt if the deviation was very significant.	Whatever measures are appropriate to the situation.	

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643.			Confidential comment deleted		Noted
644.	CRO Forum	3.135.	It should not be acceptable that supervisors do not have a common way to quantify and categorise risks. Work on the convergence of risk categorisation should be undertaken by CEIOPS as part of level 2 advice with the purpose of ensuring consistency of the supervisory review process and the use of corrective measures.		For more detail on supervisory convergence see part 5 Supervisory convergence of CP 57
645.	DIMA (Dublin International Insurance & Management	3.135.	It is essential that supervisors have a common way to quantify and categorise the risks. Work on the convergence of risk categorisation should be undertaken by CEIOPS as part of level 2 advice with the purpose of ensuring consistency of the supervisory review process and the use of corrective measures.		<p>Risk categorisation the supervisory review process and the use of corrective measures are all outside the scope of Level 2 implementing measures and thus outside the scope of CEIOPS' Level 2 advice.</p> <p>For more detail on supervisory convergence see part 5 Supervisory convergence of CP 57</p>
646.	PricewaterhouseCoopers LLP	3.135.	We would welcome further work on risk categorisation however, this should be provided at the earliest opportunity as companies are currently implementing changes to their systems and processed in order to meet current reporting requirements.		<p>The risk categorisation mentioned in this paragraph refers to the supervisory risk assessment with regard to undertakings and thus does not affect undertaking's reporting requirements.</p> <p>For more detail on supervisory convergence see part 5 Supervisory convergence of CP 57</p>
647.	Association of British	3.138.	Common criteria agreed at level 2 would increase the likelihood of consistency of approach.		Noted.

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	Insurers			
648.				
649.				
650.				
651.			Confidential comment deleted	Noted
652.	CEA, ECO-SLV- 09-452	3.138.	It is important to establish common criteria at Level 2 for assessing the quality of an undertaking's system of governance. We fully support the views expressed in paragraph 3.138.	Noted.
653.	CRO Forum	3.138.	We note that having common criteria does not necessarily mean having a common way to quantify and categorise risks as stated in paragraph 3.135.	Noted.
654.	DIMA (Dublin International Insurance & Management	3.138.	Having common criteria does not necessarily mean having a common way to quantify and categorise risks as stated in paragraph 3.135.	Noted.
655.	German Insurance Association – Gesamtverb and der D	3.138.	It is important to establish common criteria at Level 2 for assessing the quality of an undertaking's system of governance. We fully support the views expressed in paragraph 3.138.	Noted.
656.	Lloyd's	3.138.	We agree with the proposal to establish common criteria for assessing the quality of an undertaking's system of governance. These criteria should be established at Level 2.	Noted.
657.	Pearl Group	3.138.	We believe that a list of possible criteria should be suggested but	Noted.

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	Life		that the supervisory authority should be able to decide on what the critical criteria are for a particular undertaking based on their knowledge of its business.		
658.	International Underwriting Association of London	3.141.	Whilst we appreciate CEIOPS' view that an "appropriate timeframe" to remediate any significant deviation, should not necessarily depend on the average timeframe to implement improvements, or the time the undertaking concerned would reasonably need to remedy the situation, we also believe that any timeframe for remediation should be achievable.	Noted.	
659.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.143.	The appropriate timeframe for a governance capital add-on. We support option 1: The appropriate timeframe will depend on the specific circumstances. For example, consider a situation where one of the key management team does not fulfil the fit and proper requirements. It might take longer than 6 months to hire someone because of hiring processes and notice periods.		
660.	Association of British Insurers	3.143.	We support option 1: supervisory authorities would use a principles based approach with general criteria established at level 2, with no absolute maximum. The appropriate timeframe for a governance add-on will depend on the specific circumstances. Having a 6-month time limit would imply that capital add-ons are not a last resort measure. Also see comments under 3.257	Noted. What is appropriate does not depend on how long the undertaking needs to remedy the deficiency but on how long it is acceptable from the point of view of policyholder protection to leave an undertaking with a seriously flawed system of governance without the capital buffer a capital add-on provides for the additional risks it is exposed to on account of the deficiency.	

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				The capital add-on is the last resort if other measures are not effective <u>within an appropriate timeframe</u> . Hence the availability of other measures that take longer does not change the fact that the capital add-on is a last resort.	
661.					
662.					
663.					
664.	CEA, ECO-SLV- 09-452	3.143.	<p>There should not be a preset maximum timeframe for a governance capital add-on.</p> <p>We support option 1, as long as the criteria are established at Level 2 so that there will be harmonisation. The appropriate timeframe will depend on the specific circumstances. For example, consider a situation where one of the key management team does not fulfil the fit and proper requirements. It might take longer than 6 months to hire someone because of hiring processes and notice periods.</p> <p>In addition, having a 6-month time limit implies that capital add-ons are not a last resort measure.</p> <p>Also see our comments on 3.257.</p>	<p>Noted.</p> <p>See comment 664 above.</p> <p>Unless there is a definite shortage of qualified staff in the specific area of expertise needed CEIOPS does not consider that undertakings would find a supervisor who is prepared to accept the argument that it is not possible to hire somebody fit and proper within 6 months if the undertaking really wanted this (it is not necessary to get rid of somebody before their position can be filled with somebody new).</p>	

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665.	CRO Forum	3.143.	In principle we prefer Option 1.	Noted.	
666.	German Insurance Association – Gesamtverb and der D	3.143.	<p>There should not be a preset maximum timeframe for a governance capital add-on.</p> <p>We support option 1, as long as the criteria are established at Level 2 so that there will be harmonisation. The appropriate timeframe will depend on the specific circumstances. For example, consider a situation where one of the key management team does not fulfil the fit and proper requirements. It might take longer than 6 months to hire someone because of hiring processes and notice periods.</p> <p>In addition, having a 6-month time limit implies that capital add-ons are not a last resort measure.</p> <p>Also see our comments on 3.257.</p>	Noted.	
667.	GROUPAMA	3.143.	We support Option 2	Noted.	
668.	Groupe Consultatif	3.143.	We are inclined to agree that Option 2 is the better although we would advocate a harmonised approach to consideration of the possibility of shortening..	Noted.	
669.	International Underwriting Association of London	3.143.	Given the two options, we can see the merits or disadvantages of both options. Whilst a maximum period of 6 months will afford greater harmonisation, for certain changes, such as some changes in respect of internal models, that timeframe might be too short. A suitable compromise may be to opt for option 2, with a 6 month	Noted.	

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			maximum limit, with the possibility for a longer period to be granted by the supervisor at the outset where it can be justified for the timeframe required.		
670.	Lloyd's	3.143.	We support Option 1 as the approach to establish the 'appropriate timeframe' within which the undertaking is able to correct the significant deviation to the supervisory authority's satisfaction, as this would depend on the specific circumstances.	Noted.	
671.	Munich RE	3.143.	We support option 1.	Noted.	
672.	Pearl Group Life	3.143.	We support option 1: supervisory authorities would use a principles based approach with general criteria established at level 2, with no absolute maximum. The appropriate timeframe for a governance add-on will depend on the specific circumstances. Having a 6-month time limit would imply that capital add-ons are not a last resort measure.	Noted.	
673.	XL Capital Ltd	3.143.	We favour option 1.	Noted.	
674.	PricewaterhouseCoopers LLP	3.146.	In terms of reporting, it is not clear how the timeframe for add-ons will operate as in practice. It is likely that the reporting will be carried out within 3 to 4 months of the year end (or 3 to 4 weeks within the quarter end) with add-ons imposed including the possibility of holding additional capital e.g. 6 months after the year end. This may cause confusion as companies are forced to report early or alternatively the supervisory authorities enforcing a period which is almost expired.	The timeframe is not connected to reporting but to the discovery of the deficiency. If the undertaking is aware of deficiencies ahead of the supervisor and does set about remedying the situation it can certainly not expect that "counting time" will only begin after reporting the problem to the supervisor.	
675.	Groupe Consultatif	3.149.	We can support Option 2.	Noted.	
676.	Institut des	3.149.	Institut des Actuaire agrees with CEIOPS proposal to favour Option	Noted.	

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	actuaire (France)		2.		
677.	PricewaterhouseCoopers LLP	3.149.	We concur with this option but consider that further guidance is needed to fully understand the requirements to be adhered to within the 6 month period.		Noted. The requirements are to remedy the deficiencies identified.
678.	XL Capital Ltd	3.149.	We disagree with CEIOPS. The 6 month maximum period defined in option 2 is arbitrary and will not always reflect the time required to resolve governance deviations.		Noted. The timeframe is not intended to reflect the time required to resolve the problem but the time that the undertaking may carry the additional risk resulting from the deficiencies without this risk being covered by additional capital.
679.	CEA, ECO-SLV-09-452	3.150.	We do not agree that operational risk events can be a proxy for deciding on an appropriate timeframe.		If the risk associated with significant governance deficiencies has already crystallised, CEIOPS considers this a strong reason to shorten the timeframe available for remedial action before a capital add-on is set.
680.	German Insurance Association – Gesamtverband der D	3.150.	We do not agree that operational risk events can be a proxy for deciding on an appropriate timeframe.		See comment 679 above.
681.	PricewaterhouseCoopers LLP	3.154.	Whilst we understand why a notional split between life and non-life undertakings is required, this may result in a capital add-on being imposed inequitably within a group due to the approximations used in the calculations. It may also result in enhanced reporting for		Noted.

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			undertakings increasing burden of supervisory reporting.		
682.			Confidential comment deleted		Noted
683.	Groupe Consultatif	3.158.	We are less sure that the vast majority of deviations will be associated with underwriting risk – some undertakings will have idiosyncratic investment strategies or unique operating infrastructures.		While it is true that deviations are also possible in market risk, CEIOPS' reasoning is that there are significantly more national boundaries affecting the underwriting risk drivers than affecting market risk drivers. Some examples are factors, such as environmental, legal, tax, cultural, social, etc.
684.	Milliman	3.165.	The way the inadequacy of the calibration of parameters in the standard formula for a particular sub-risk or risk module may be assessed by the supervisory authority would need to be clarified.		This will be part of the supervisory review process.
685.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.166.	The proposed concept to re-run the model with recalibrated parameters makes the overall concept of capital add-ons questionable, as the undertaking could instead of applying a capital add-on be requested to use the newly calibrated parameters for their SCR calculation from then on. We prefer this option to having a capital add-on applied.		
686.	CEA, ECO-SLV-09-452	3.166.	The proposed concept to re-run the model with recalibrated parameters makes the overall concept of capital add-ons questionable, as the undertaking could instead of applying a capital add-on be requested to use the newly calibrated parameters for their SCR calculation from then on. We prefer this option to having a capital add-on applied.		CEIOPS agree for some underwriting risks but not for other risks. The Level 1 text only allows for the use of entity specific parameters in relation a subset of parameters from the underwriting risk modules (article 104(7)).

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				<p>Of course, where this is a feasible solution, it will be considered before the setting of a capital add-on</p> <p>An undertaking that only uses new parameters for the SCR calculation does not comply with the use test.</p>	
687.	German Insurance Association – Gesamtverb and der D	3.166.	The proposed concept to re-run the model with recalibrated parameters makes the overall concept of capital add-ons questionable, as the undertaking could instead of applying a capital add-on be requested to use the newly calibrated parameters for their SCR calculation from then on. We prefer this option to having a capital add-on applied.	See comment 686 above.	
688.	Munich RE	3.166.	The proposed concept to re-run the model with recalibrated parameters makes the overall concept of capital add-ons questionable. Since the undertaking could instead of applying a capital add-on be requested to use the newly calibrated parameters for their SCR calculation from now on. This latter is preferred compared to imposing capital add-ons.	See comment 686 above.	
689.			Confidential comment deleted		
690.	CEA, ECO-SLV-09-452	3.167.	See comment to 3.289.	Noted.	
691.	CRO Forum	3.167.	We do not agree that substituting a company's own data for another firm's data would be sensible unless it could be adequately demonstrated that this data was credible and homogeneous by cohort. What measures are likely to be put in place to ensure such	The quantification of a risk profile capital add-on is, by nature, a difficult task. Therefore, to get the best outcome, supervisors will	

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			<p>a process is reliable? Indeed life and most non life insurance risk profiles are deeply related to the insurance product designed by the undertaking, the underwriting rules and the reinsurance strategy. Difficulties are therefore foreseen in the use of data substitution in capital add-on calculations</p> <p>Moreover we believe that in most cases being able to identify with reliability a deviation will often require to have data at disposal that should enable the calculation of the impact of the deviation at VAR 99.5%.</p>	<p>need to make use of all relevant available information, of course without disregarding accuracy, confidentiality and transparency in the process.</p> <p>We note that non-existence of data to quantify the add-on does not remove the need to set a capital add-on.</p> <p>CEIOPS acknowledges the difficulties but still believes it is a possible solution in some circumstances. This will be analysed in a case-by-case basis.</p> <p>Noted.</p>	
692.	GROUPAMA	3.167.	<p>We believe that using data from other undertakings whose risk profile is deemed comparable will often lead to incorrect assessment of the deviation. Indeed life and mostly non life insurance risk profile are deeply related to the insurance product designed by the undertaking, the subscription rules, the reinsurance strategy and it seems difficult to use other undertaking data to calculate the capital add on.</p> <p>Moreover we believe that in most cases being able to identify with reliability a deviation will often require to have at disposal the data that should enable to calculate the impact of the deviation on VAR 99.5 %</p>	See comment 690 and 691 above.	
693.	Munich RE	3.167.	Comparative analysis raises major concerns with regard to the	Comparative analysis is part of	

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			comparability of undertakings in general which we doubt is given on such a detailed level necessary to derive add-ons.		the supervisory review process (it has always have been). This will be used to the extent that is considered appropriate.
694.	PricewaterhouseCoopers LLP	3.167.	Whilst we understand the importance of using comparable data from undertakings with similar risk profile, it is important that the undertaking fully understands the reason for the capital add-on and is given adequate time to respond to challenges from the supervisory authority.		This is foreseen in CEIOPS advice as part of the due process.
695.			Confidential comment deleted		Noted
696.	CRO Forum	3.169.	<p>In the case of inadequacy of the design assumptions linked to probability distributions, we challenge the proposal that the firm undertakes analysis to investigate alternative distributions. Such analysis is normally flawed by the absence of suitably plentiful own data.</p> <p>We think that it would be more meaningful for supervisors to specify distributions based on pooled data from a number of industry sources – i.e. the onus is placed on supervisors to guide firms?</p>		<p>CEIOPS view is that the undertaking will be in the best place to look for an alternative design, particularly as it holds the data and knowledge of the specificities of the risks. This is expected and consistent with its responsibility for good risk management.</p> <p>Paragraph 3.179 discusses the situations where alternative designs cannot be found (e.g. because of the absence of plentiful own fund).</p> <p>Paragraph 3.178 highlights that emerging experience could be translated to Level 3.</p>
697.	RBS Insurance	3.170.	We assume that if the result of the “re-run” standard formula results in a lower SCR, no capital add –on is applied i.e. a negative capital add-on will not be applied ?		That is correct. Negative add-ons are not foreseen in the Level 1 Framework Directive.

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698.	CEA, ECO-SLV- 09-452	3.172.	Capital add-ons should not be set on a crude basis. There should be clear criteria for applying capital add-ons and supervisors should also give clear justifications to the undertaking on why a capital add-on is necessary.	This is foreseen in CEIOPS advice as part of the due process.	
699.	German Insurance Association – Gesamtverb and der D	3.172.	Capital add-ons should not be set on a crude basis. There should be clear criteria for applying capital add-ons and supervisors should also give clear justifications to the undertaking on why a capital add-on is necessary.	See comment 698 above.	
700.	Munich RE	3.172.	We object to use crude assumptions. Since a capital add-on is a supervisory measure of last resort there shall always be comprehensible criteria.	See comment 698 above.	
701.	Pricewaterho useCoopers LLP	3.172.	See 3.167.	Noted.	
702.	Association of British Insurers	3.173.	If this approach is retained, the peer group should be composed of a sufficient number of undertakings with a similar risk profile and characteristics, e.g. e close competitors on the same markets in which the undertaking operates. See also comments under 3.202	Noted.	
703.					
704.					
705.					
706.	CEA, ECO-SLV-	3.173.	See our comment on 3.202.	Noted.	

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707.	German Insurance Association – Gesamtverb and der D	3.173.	See our comment on 3.202.		Noted.
708.	Milliman	3.173.	<p>The suggestion of using a more 'crude' approach based on comparative analyses with similar undertakings needs to be clarified.</p> <p>It does not seem clear how the design of the standard formula could not be adapted for a given undertaking and could be adapted for undertakings with similar risk profiles?</p> <p>The notion of "comparable undertakings" needs to be clarified. Are 2 insurers with the same levels of premiums and reserves (but different underwriting policies and different underlying portfolios) considered comparable?</p>	<p>It is possible that one undertaking has a data problem. In this case this solution should be considered.</p> <p>See also comment 693 and 694.</p>	
709.	Pearl Group Life	3.173.	If this approach is retained, the peer group should be composed of a sufficient number of undertakings with a similar risk profile and characteristics, e.g. e close competitors on the same markets in which the undertaking operates.		Noted.
710.	PricewaterhouseCoopers LLP	3.173.	See 3.167.		Noted.
711.			Confidential comment deleted		Noted.
712.	CRO Forum	3.174.	How will supervisors demonstrate that the scaling factors they use to scale up the capital charges are appropriate, robust, objective and consistent with other supervisors and over time?		<p>This cannot be set in Level 2, as it will depend on the specificities of the problem.</p> <p>CEIOPS highlights that when</p>

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				evidence is found that a capital add-on is needed, the best solution to its quantification needs to be found.	
713.	Munich RE	3.174.	See 3.172		Noted.
714.	PricewaterhouseCoopers LLP	3.174.	See 3.167.		Noted.
715.	PricewaterhouseCoopers LLP	3.175.	See 3.167.		Noted.
716.	CEA, ECO-SLV-09-452	3.176.	Ceiods should also consider a procedure when this particular risk is faced by the whole industry or a significant part.		Agreed. In that case a new development in the standard formula should be considered.
717.	Milliman	3.178.	The aggregation of new identified risks with the other risks already covered by the standard formula needs clarification. This type of analysis requires extensive actuarial skills and is very time consuming. Who would be in charge of carrying out / reviewing these analyses?		This will need to be assessed on a case-by-case basis, depending on the particularities of the situation. Level 3 may be used to ensure harmonisation of criteria.
718.	Association of British Insurers	3.181.	This is to be considered very carefully. Internal models are by definition based on the specific characteristics of an undertaking, the perspective and objectives of the management of an undertaking. It would not be appropriate therefore to apply input from internal models strictly to the standard formula. This might be more relevant when the number of internal models is significant and also very well spread across the EEA (markets and type of insurers).		CEIOPS is aware of the need to act carefully in this regard. Nevertheless, inputs from internal models will be valuable in that they increase understanding of the adequacy of the standard formula.
719.					

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720.					
721.					
722.	CEA, ECO-SLV- 09-452	3.181.	This is to be considered very thoroughly. Internal models are per definition based on the specific characteristics of an undertaking, and the perspective and objectives of the management of an undertaking. To generalise this for the standard formula is in our opinion not appropriate. This could only be sound when the number of internal models is significant and also very well spread across the EEA (markets and type of insurers).	See comment 718.	
723.			Confidential comment deleted	Noted	
724.	CRO Forum	3.183.	<p>The use of empirical and statistical studies to calculate correlation factors is only easily possible for financial – i.e. market and credit risks, where plentiful data is available. Please explain how this process can be achieved for non-financial risks or for correlation factors between financial and non-financial risks?</p> <p>How will supervisors ensure that correlation factors based on scanty data are appropriate for 99.5% events?</p>	<p>CEIOPS acknowledges that this is a challenging area (see 3.187), and it is pointed out that this type of assessment is expected to be rare in practice. Nevertheless, CEIOPS aims to cover all possibilities in the Advice.</p> <p>While indeed more data will be available to assess correlations for financial risks, the door should not be closed for the possibility to make a similar assessment for some non-financial risks.</p>	
725.	Milliman	3.183.	<p>The estimation of new correlation factors that best reflects the risk profile of an undertaking seems a difficult practical issue. This type of analysis indeed requires extensive actuarial skills, enough data, judgement, and is very time consuming.</p> <p>The CP would need to be clarified on this issue.</p>	See comment 724.	

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726.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.184.	Re-run with new aggregation factors: See comment to 3.166.	
727.	CEA, ECO-SLV-09-452	3.184.	See comment to 3.289.	Noted.
728.	German Insurance Association – Gesamtverband der D	3.184.	See comment to 3.289.	Noted.
729.	Groupe Consultatif	3.185.	Although we appreciate the value of “copula” techniques, it usually is practical to substitute for these either or both of a more granular correlation matrix or increased correlation coefficients.	This should also be possible.
730.	AAS BALTA	3.186.	Agree that this appears to be a pragmatic approach.	Noted.
731.	AB Lietuvos draudimas	3.186.	Agree that this appears to be a pragmatic approach.	Noted.
732.	CEA, ECO-SLV-09-452	3.186.	See comment to 3.172.	Noted.
733.	CRO Forum	3.186.	Where non-linearity is known to exist the classical variance-covariance methodology of aggregation becomes less accurate and result scaling may become necessary. One tried and tested way to	Scenario analysis should be part of a proper risk management system, taking into account

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			overcome the difficulties of assessing correlations is through scenario testing for key combinations of risks. Are any recommendations going to be made to the industry to rationalise this issue and help develop pragmatic (scenario based) solutions?	proportionality principle. CEIOPS could in future develop standards on the scenario analysis if deemed necessary but in general, not linked to the capital add-ons.	
734.	DENMARK: Codan Forsikring A/S (10529638)	3.186.	Agree that this appears to be a pragmatic approach.	Noted.	
735.	German Insurance Association – Gesamtverb and der D	3.186.	See comment to 3.172.	Noted.	
736.	Link4 Towarzystw o Ubezpieczeń SA	3.186.	Agree that this appears to be a pragmatic approach.	Noted.	
737.	Munich RE	3.186.	See 3.172	Noted.	
738.	NORWAY: Codan Forsikring (Branch Norway) (991 502)	3.186.	Agree that this appears to be a pragmatic approach.	Noted.	
739.	RSA	3.186.	Agree that this appears to be a pragmatic approach.	Noted.	

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	Insurance Group PLC				
740.	RSA Insurance Ireland Ltd	3.186.	Agree that this appears to be a pragmatic approach.		Noted.
741.	RSA - Sun Insurance Office Ltd.	3.186.	Agree that this appears to be a pragmatic approach.		Noted.
742.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.186.	Agree that this appears to be a pragmatic approach.		Noted.
743.	Association of British Insurers	3.187.	Point a) this will need to be considered carefully as the comparison between internal models will be difficult because of their unique nature.		CEIOPS acknowledges the limitations.
744.					
745.					
746.					
747.	CEA, ECO-SLV-09-452	3.187.	It is difficult to compare the results of internal models (point a). While we think it is useful that supervisors use all available sources of information, it is difficult to assess the real comparability. In general there are no two identical insurers. Internal models are the results of multiple subjective decisions by the management of undertakings which can lead to different parameters and approaches in arriving at the numbers for (sub-) risks. Supervisors should therefore exercise caution in comparing the results of internal models.		CEIOPS acknowledges the limitations.

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748.	German Insurance Association – Gesamtverband der D	3.187.	<p>It is difficult to compare the results of internal models (point a).</p> <p>While we think it is useful that supervisors use all available sources of information, it is difficult to assess the real comparability. In general there are no two identical insurers. Internal models are the results of multiple subjective decisions by the management of undertakings which can lead to different parameters and approaches in arriving at the numbers for (sub-)risks. Supervisors should therefore exercise caution in comparing the results of internal models.</p>	See comment 743.	
749.	Groupe Consultatif	3.187.	<p>We support the proposal of CEIOPS set out in paragraph a) but considers that this could lead to difficulties in practice.</p> <p>We believe that the comparability of undertakings should be clarified with precise criteria defined at Level 3. We are concerned that risk could be driven by the nature of products, but also the structure of the population of policyholders which could lead to significant different behaviours, and other consideration (granularity, specific guarantees offered...).</p> <p>Giving any guidance on the notion of comparability for a risk-based approach could lead to unharmonised practice within the Supervisory authorities.</p>	<p>See comment 743.</p> <p>Criteria may be developed under Level 3.</p>	
750.	Institut des actuaires (France)	3.187.	<p>Institut des Actuaire supports the proposal of CEIOPS set out in paragraph a) but considers that this could lead to difficulties in practice.</p> <p>We believe that the comparability of undertakings should be clarified with precise criteria defined at Level 3. We are concerned that risk could be driven by the nature of products, but also the structure of the population of policyholders which could lead to significant different behaviours, and other consideration</p>	See comments 743 and 749.	

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			(granularity, specific guarantees offered...).	
			Giving any guidance on the notion of comparability for a risk-based approach could lead to unharmonised practice within the Supervisory authorities.	
751.	Lloyd's	3.187.	<p>We do not agree with the suggested input for the calculation.</p> <p>In practice, it would be difficult to find 'other undertakings operating in the same market which are deemed comparable for the risks under analysis' where the results of their internal models will be directly comparable with each other.</p> <p>Internal models are based on a number of subjective decisions by management of these undertakings which will then lead to different approaches and parameters in arriving at the capital requirements.</p> <p>Sub-paragraphs (a) and (b) would require clarification of the meaning of 'comparable': is it by risk type, peer group or industry sector?</p> <p>We would appreciate clarification of what is envisaged by 'additional historical data'. It is important for this request not to place an undue burden on undertakings.</p>	<p>Suggestions for better sources of data are welcomed.</p> <p>See comment 743.</p> <p>See comment 9 above.</p>
752.	Munich RE	3.187.	See 3.167	Noted.
753.	Pearl Group Life	3.187.	Point a) this will need to be considered carefully as the comparison between internal models will be difficult because of their unique nature.	See comments 743 and 749.
754.	Groupe Consultatif	3.188.	We encourage CEIOPS to clarify what data and which level of detail would be asked for other comparable undertakings. Comparable undertakings should not support additional costs to produce such information used for the undertaking concerned. This could be the case if the issue was not significant, in application of proportionality criteria, for one comparable undertaking, so that information is not commonly produced at a detailed level that allow comparable	<p>Noted.</p> <p>This will depend on the specificities of the problem.</p>

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			analysis.	
755.	Institut des actuaires (France)	3.188.	We encourage CEIOPS to clarify what data and which level of detail would be asked for other comparable undertakings. Comparable undertakings should not support additional costs to produce such information used for the undertaking concerned. This could be the case if the issue was not significant, in application of proportionality criteria, for one comparable undertaking, so that information is not commonly produces at a detailed level that allow comparable analysis.	See comment 754.
756.	Munich RE	3.188.	See 3.167	Noted.
757.	PricewaterhouseCoopers LLP	3.188.	Although we understand the requirement to have comparable data for historical purposes, it is important that undertakings are not unduly burdened in providing such information.	See comment 9 above.
758.	PricewaterhouseCoopers LLP	3.196.	We would assume that as part of the internal model approval process, that supervisory authorities would inform undertakings of design assumption methodologies and inadequacies as the regime matures.	Noted. The risk profile of undertakings is not static and neither are the nature of risks and the dependencies themselves.
759.			Confidential comment deleted	
760.	CRO Forum	3.197.	We note that having common criteria does not necessarily mean having a common way to quantify and categorise risks as stated in paragraph 3.135	Noted.
761.	RBS Insurance	3.197.	From a practical perspective it may be preferable for the undertakings SCR to be run on the "new "basis (rather than the old basis plus capital add-on). As this approach would result in the same number for SCR in monetary terms, could use of a capital add-on and the associated disclosures be avoided?	See comment 686 above.
762.	CEA, ECO-SLV-	3.198.	See comment to 3.289.	Noted.

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763.	CRO Forum	3.198.	Similar issues as described in 3.167.	Noted.
764.	German Insurance Association – Gesamtverband der D	3.198.	See comment to 3.289.	Noted.
765.	Munich RE	3.198.	See 3.167	Noted.
766.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.200.	Re-run with alternative design of internal model cfr comment 3.166	Noted
767.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.202.	<p>We have some concerns about using comparative analysis, both in case where an undertaking is using an internal model and in case where an undertaking is using the standard formula.</p> <p>Comparison to other similar undertakings may help supervisors estimate a capital add-on for an undertaking and can be a useful tool as long as like is compared with like. If comparative analysis is utilised, the supervisor should consider a sufficient number of undertakings having a similar risk profile and characteristics. In principle the reference should be made towards the close competitors on the same markets in which the undertaking operates.</p> <p>It may be difficult in markets where there are not many undertakings using internal models or not many undertakings which can be considered as appropriate peers Comparison across member</p>	Noted

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			states could address this problem but would raise confidentiality issues. This comment also applies to 3.173, 3.187 and 3.204.		
768.	Association of British Insurers	3.202.	Comparative analysis may be difficult in markets where there are not many undertakings which use internal models.	See comment 12 above.	
769.					
770.					
771.					
772.			Confidential comment deleted	Noted	
773.	CEA, ECO-SLV-09-452	3.202.	<p>We have some concerns about using comparative analysis, both in case where an undertaking is using an internal model and in case where an undertaking is using the standard formula.</p> <p>Comparison to other similar undertakings may help supervisors estimate a capital add-on for an undertaking and can be a useful tool as long as like is compared with like. If comparative analysis is utilised, the supervisor should consider a sufficient number of undertakings having a similar risk profile and characteristics. In principle the reference should be made towards the close competitors on the same markets in which the undertaking operates.</p> <p><input type="checkbox"/> It may be difficult in markets where there are not many undertakings who use internal models or not many undertakings who can be considered as appropriate peers. Comparison across member states could address this problem but would raise confidentiality issues.</p> <p><input type="checkbox"/> Lack of comparable peer group should not lead to increased subjectivity and "scaling-up" of capital charge.</p>	See comment 12 above.	

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			<input type="checkbox"/> In addition, as a separate point, Level 3 guidance would be necessary for establishing peer groups. This comment also applies to 3.173 and 3.204.	
774.	CRO Forum	3.202.	Supervisory authorities should be careful when applying capital add-ons based on comparative analysis. An SCR that is lower than those of undertakings that the supervisory authority considers comparable should not by itself be sufficient proof of the need for a capital add-on as there may be valid reasons for this difference.	See comment 12 above.
775.	German Insurance Association – Gesamtverb and der D	3.202.	<p>We have some concerns about using comparative analysis, both in case where an undertaking is using an internal model and in case where an undertaking is using the standard formula.</p> <p>Comparison to other similar undertakings may help supervisors estimate a capital add-on for an undertaking and can be a useful tool as long as like is compared with like. If comparative analysis is utilised, the supervisor should consider a sufficient number of undertakings having a similar risk profile and characteristics. In principle the reference should be made towards the close competitors on the same markets in which the undertaking operates.</p> <p><input type="checkbox"/> It may be difficult in markets where there are not many undertakings who use internal models or not many undertakings who can be considered as appropriate peers Comparison across member states could address this problem but would raise confidentiality issues.</p> <p><input type="checkbox"/> Lack of comparable peer group should not lead to increased subjectivity and “scaling-up” of capital charge.</p>	See comment 12 above.

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			<input type="checkbox"/> In addition, as a separate point, Level 3 guidance would be necessary for establishing peer groups. This comment also applies to 3.173 and 3.204.		
776.	Munich RE	3.202.	We have some concerns about using comparative analysis, in case where an undertaking is using an internal model	See comment 12 above.	
777.	AAS BALTA	3.203.	Agree	Noted.	
778.	AB Lietuvos draudimas	3.203.	Agree	Noted.	
779.	DENMARK: Codan Forsikring A/S (10529638)	3.203.	Agree	Noted.	
780.	Link4 Towarzystw o Ubezpieczeń SA	3.203.	Agree	Noted.	
781.	Milliman	3.203.	We think that a one to one comparability is difficult to achieve, we would rather suggest a comparison with a group of benchmarks. Further guidance is needed on this issue. We would caution that risk profile can not only be defined by indicators (like the amount of premiums) and other aspects of undertakings need to be taken into account (underwriting rules, etc)	See comment 12 above.	
782.	NORWAY: Codan	3.203.	Agree	Noted.	

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	Forsikring (Branch Norway) (991 502)				
783.	RSA Insurance Group PLC	3.203.	Agree		Noted.
784.	RSA Insurance Ireland Ltd	3.203.	Agree		Noted.
785.	RSA - Sun Insurance Office Ltd.	3.203.	Agree		Noted.
786.	SWEDEN: Trygg-Hansa Försäkrings AB (516401- 7799)	3.203.	Agree		Noted.
787.	AAS BALTA	3.204.	Agree		Noted.
788.	AB Lietuvos draudimas	3.204.	Agree		Noted.
789.	CEA, ECO-SLV- 09-452	3.204.	See comment to 3.202.		Noted.
790.	CRO Forum	3.204.	Similar issues as describe in 3.174.		See comment 12 above.
791.	DENMARK: Codan Forsikring	3.204.	Agree		Noted.

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	A/S (10529638)				
792.	German Insurance Association – Gesamtverband der D	3.204.	See comment to 3.202.		Noted.
793.	Link4 Towarzystw o Ubezpieczeń SA	3.204.	Agree		Noted.
794.	Munich RE	3.204.	Lack of comparable peer group should not lead to increased subjectivity and “scaling-up” of capital charge. In our view CEIOPS should develop alternative mechanisms for harmonisation capital add-ons for internal models.		See comment 12 above.
795.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.204.	Agree		Noted.
796.	Pearl Group Life	3.204.	This would have to be used appropriately. A supervisory authority that is scaling-up a capital charge should have to justify, to a standard comparable to that required by an undertaking under Solvency II, why the scale-up they used is appropriate to avoid this being arbitrarily set too high.		See comment 12 above.

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797.	RSA Insurance Group PLC	3.204.	Agree		Noted.
798.	RSA Insurance Ireland Ltd	3.204.	Agree		Noted.
799.	RSA - Sun Insurance Office Ltd.	3.204.	Agree		Noted.
800.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.204.	Agree		Noted.
801.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.205.	Re-run cfr comment on 3.166		Noted
802.			Confidential comment deleted		Noted
803.	CRO Forum	3.210.	Advice is needed to explain the different dependency structures and aggregation tools that are available so that informed decisions on selection can be made by firms. How will supervisors ensure that one type of methodology is comparable to another? How will results for different dependency structures and aggregation methodologies be benchmarked together to ensure that supervisory advice is consistent and fair?		Flexibility is needed and it is impossible to predict all circumstances especially on internal models. Please refer to paragraph 3.222

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804.	CEA, ECO-SLV- 09-452	3.215.	3.215, point d: Level 3 guidance would be necessary for establishing peer groups for comparative analysis.	See comment 803 above.	
805.	German Insurance Association – Gesamtverb and der D	3.215.	3.215, point d: Level 3 guidance would be necessary for establishing peer groups for comparative analysis.	See comment 803 above.	
806.	CEA, ECO-SLV- 09-452	3.216.	We propose that the following sentence is added to this paragraph: "This request should not place an undue burden on undertakings".	See comment 803 above.	
807.	German Insurance Association – Gesamtverb and der D	3.216.	We propose that the following sentence is added to this paragraph: "This request should not place an undue burden on undertakings".	See comment 803 above.	
808.	Lloyd's	3.216.	We would appreciate clarification of what is envisaged by 'additional historical data'. It is important for this request not to place an undue burden on undertakings.	See comment 803 above.	
809.	Pearl Group Life	3.216.	It needs to be made clear here whether this information would be solely for sight / use of the supervisory authority or if it would be shared with the undertaking, who is likely to be a competitor. This is likely to impact what information we would be willing to share.	See comment 803 above.	
810.	RBS Insurance	3.216.	We think this approach may be to the competitive disadvantage of the undertaking providing additional data. A market leader with good data collection may be compelled to provide data to enable a better estimate of the solvency of a competitor. Whilst the	See comment 803 above.	

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			supervisor needs to disclose reasons for applying a capital add-on, we do not feel it would be appropriate for the supervisor to disclose commercially sensitive data to a competitor in this situation. If additional data is required from other undertakings operating in the same market, we feel that this should be a confidential basis, with data being held by the supervisor and not being passed on to other firms in the market.		
811.	AAS BALTA	3.218.	Strongly agree		Noted.
812.	AB Lietuvos draudimas	3.218.	Strongly agree		Noted.
813.	CEA, ECO-SLV-09-452	3.218.	Calculation of a risk profile capital add-on for undertakings using an internal model. We expect that in any case Ceiops will investigate in the future whether more specific methodologies or general criteria are needed for the calculation of risk profile capital add-ons for undertakings using an internal model.		See comment 803 above.
814.	DENMARK: Codan Forsikring A/S (10529638)	3.218.	Strongly agree		See comment 803 above.
815.	German Insurance Association – Gesamtverb and der D	3.218.	Calculation of a risk profile capital add-on for undertakings using an internal model. We expect that in any case CEIOPS will investigate in the future whether more specific methodologies or general criteria are needed for the calculation of risk profile capital add-ons for undertakings using an internal model.		See comment 803 above.
816.	Link4	3.218.	Strongly agree		Noted.

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	Towarzystw o Ubezpieczeń SA				
817.	Munich RE	3.218.	We expect that in any case CEIOPS will investigate in the future whether more specific methodologies or general criteria are needed for the calculation of risk profile capital add-ons for undertakings using an internal model.		See comment 815 above.
818.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.218.	Strongly agree		Noted.
819.	RSA Insurance Group PLC	3.218.	Strongly agree		Noted.
820.	RSA Insurance Ireland Ltd	3.218.	Strongly agree		Noted.
821.	RSA - Sun Insurance Office Ltd.	3.218.	Strongly agree		Noted.
822.	SWEDEN: Trygg-Hansa Försäkrings AB (516401- 7799)	3.218.	Strongly agree		Noted.

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823.	Association of British Insurers	3.219.	We agree with CEIOPS there is no need for formulating specific methodologies for a capital add-on.	Noted.	
824.					
825.					
826.					
827.	Pearl Group Life	3.219.	We agree with CEIOPS there is no need for formulating specific methodologies for a capital add-on.	Noted.	
828.	Association of British Insurers	3.222.	We support option 3): harmonised criteria to be taken into account in determining the amount in addition to cause and effect.	Noted.	
829.					
830.					
831.					
832.			Confidential comment deleted	Noted	
833.	CEA, ECO-SLV-09-452	3.222.	<p>We support option 3 for the calculation of governance capital add-ons.</p> <p>We support option 3. The harmonised criteria should be clearly defined and comprehensive in order to ensure supervisory convergence. They could also include an indicative maximum cap for a governance capital add-on. This cap could then be reviewed after Solvency II regime has been in place for a few years.</p> <p>We would also encourage Ceiops to work with the industry in establishing the predefined scenarios (cause and effect).</p>	<p>Noted.</p> <p>A maximum cap would not be in line with the Level 1 text that requires the governance capital add-on to be proportionate to the material risks arising out of the governance deficiency.</p>	

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834.	CRO Forum	3.222.	Option 3;As far as the approach respects the principle of 99.5% VAR	Noted. The principle is not applicable to the governance capital add-on, see comment 833 above.	
835.	German Insurance Association – Gesamtverb and der D	3.222.	<p>We support option 3 for the calculation of governance capital add-ons.</p> <p>We support option 3. The harmonised criteria should be clearly defined and comprehensive in order to ensure supervisory convergence. They could also include an indicative maximum cap for a governance capital add-on. This cap could then be reviewed after Solvency II regime has been in place for a few years.</p> <p>We would also encourage CEIOPS to work with the industry in establishing the predefined scenarios (cause and effect).</p>	<p>Noted.</p> <p>See comment 833 above.</p>	
836.	GROUPAMA	3.222.	Option 3 As much as the approach respects principle of VAR 99.5%	Noted. See comments 833 and 834 above.	
837.	Groupe Consultatif	3.222.	(calculation of a Governance capital add-on): option 3 (harmonized criteria) it is the preferred option.	Noted.	
838.	Lloyd's	3.222.	We agree with Option 3 (a principles-based approach with general harmonised criteria established at Level 2) for the calculation of governance capital add-ons.	Noted.	
839.	Munich RE	3.222.	We support option 3 as far as the approach respects principle of 99.5% VAR.	Noted. See comments 833 and 834 above.	
840.	Pearl Group Life	3.222.	We support option 3): harmonised criteria to be taken into account in determining the amount in addition to cause and effect.	Noted.	
841.	XL Capital Ltd	3.222.	We support option 3.	Noted.	

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842.	AAS BALTA	3.229.	We are broadly in agreement with the CEIOPS proposed approach. We are concerned that the assessment and quantification of the governance capital add-on could lead to an uneven playing field if this is left to the Level 3 text for guidance. We consider that the key criteria for the add-on to be included in the Level 2 text needs to be sufficiently detailed to maintain the level playing field.	The maintenance of a level playing field for all undertakings is one of CEIOPS' concerns. However, if a too detailed list of governance deficiencies and respective capital add-on amounts is set at Level 2, this could lead to a "one-size-fits-all" implementation that is not feasible in this case, as no two governance deficiencies can be exactly the same.	
843.	AB Lietuvos draudimas	3.229.	We are broadly in agreement with the CEIOPS proposed approach. We are concerned that the assessment and quantification of the governance capital add-on could lead to an uneven playing field if this is left to the Level 3 text for guidance. We consider that the key criteria for the add-on to be included in the Level 2 text needs to be sufficiently detailed to maintain the level playing field.	See comment 842 above.	
844.	Association of British Insurers	3.229.	See comments under 3.222	See comment 828 above.	
845.				-	
846.				-	
847.				-	
848.	CEA, ECO-SLV-09-452	3.229.	See our comments on 3.222.	See comment 833 above.	
849.	DENMARK: Codan	3.229.	We are broadly in agreement with the CEIOPS proposed approach. We are concerned that the assessment and quantification of the	See comment 842 above.	

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	Forsikring A/S (10529638)		governance capital add-on could lead to an uneven playing field if this is left to the Level 3 text for guidance. We consider that the key criteria for the add-on to be included in the Level 2 text needs to be sufficiently detailed to maintain the level playing field.		
850.	German Insurance Association – Gesamtverband der D	3.229.	See our comments on 3.222.		See comment 835 above.
851.	Groupe Consultatif	3.229.	We can support Option 3		Noted.
852.	Institut des actuaires (France)	3.229.	Institut des actuaires agrees with option 3.		Noted.
853.	Link4 Towarzystwo Ubezpieczeń SA	3.229.	We are broadly in agreement with the CEIOPS proposed approach. We are concerned that the assessment and quantification of the governance capital add-on could lead to an uneven playing field if this is left to the Level 3 text for guidance. We consider that the key criteria for the add-on to be included in the Level 2 text needs to be sufficiently detailed to maintain the level playing field.		See comment 842 above.
854.	Munich RE	3.229.	See 3.222.		See comment 839 above.
855.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.229.	We are broadly in agreement with the CEIOPS proposed approach. We are concerned that the assessment and quantification of the governance capital add-on could lead to an uneven playing field if this is left to the Level 3 text for guidance. We consider that the key criteria for the add-on to be included in the Level 2 text needs to be sufficiently detailed to maintain the level playing field.		See comment 842 above.
856.	Pearl Group Life	3.229.	We support option 3): harmonised criteria to be taken into account in determining the amount in addition to cause and effect.		Noted.

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857.	PricewaterhouseCoopers LLP	3.229.	We agree with option 3 as it is flexible and proposes some degree of harmonisation.		Noted.
858.	RSA Insurance Group PLC	3.229.	We are broadly in agreement with the CEIOPS proposed approach. We are concerned that the assessment and quantification of the governance capital add-on could lead to an uneven playing field if this is left to the Level 3 text for guidance. We consider that the key criteria for the add-on to be included in the Level 2 text needs to be sufficiently detailed to maintain the level playing field.		See comment 842 above.
859.	RSA Insurance Ireland Ltd	3.229.	We are broadly in agreement with the CEIOPS proposed approach. We are concerned that the assessment and quantification of the governance capital add-on could lead to an uneven playing field if this is left to the Level 3 text for guidance. We consider that the key criteria for the add-on to be included in the Level 2 text needs to be sufficiently detailed to maintain the level playing field.		See comment 842 above.
860.	RSA - Sun Insurance Office Ltd.	3.229.	We are broadly in agreement with the CEIOPS proposed approach. We are concerned that the assessment and quantification of the governance capital add-on could lead to an uneven playing field if this is left to the Level 3 text for guidance. We consider that the key criteria for the add-on to be included in the Level 2 text needs to be sufficiently detailed to maintain the level playing field.		See comment 842 above.
861.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.229.	We are broadly in agreement with the CEIOPS proposed approach. We are concerned that the assessment and quantification of the governance capital add-on could lead to an uneven playing field if this is left to the Level 3 text for guidance. We consider that the key criteria for the add-on to be included in the Level 2 text needs to be sufficiently detailed to maintain the level playing field.		See comment 842 above.
862.	ACA – ASSOCIATION DES	3.231.	Peer group analysis could offer a useful tool but may not always be possible in practice. 3.231, point b. This may not be possible in smaller markets. See		Noted

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	COMPAGNIE S D'ASSURAN CES DU		<p>also our comments on 3.202.</p> <p>The criterion on operational risk events is too detailed.</p> <p>3.231, point c. While operational risk events are very important, we believe that they should be considered in a more general manner, similarly to the other criteria mentioned in 3.231.</p> <p>Governance capital add-ons should not be applied on deficiencies that have not yet been discovered.</p> <p>3.231, point g. It is unclear to us what is meant by "if any evidence indicates that more deficiencies are yet to be discovered. In our view governance capital add-ons can only be applied in response to identified deficiencies. We would therefore propose that the second part of point g is deleted.</p>	
863.	Association of British Insurers	3.231.	<p>Point c)</p> <p>The criterion on operational risk events is too detailed. While operational risk events are very important, we believe that they should be considered in a more general manner, similarly to the other criteria mentioned in 3.231. Perhaps a more general description of events coming from deficiencies in governance (not only from operational risks) would be more appropriate.</p> <p>point g)</p> <p>It is unclear to us what is meant by "if any evidence indicates that more deficiencies are yet to be discovered". In our view governance capital add-ons can only be applied in response to identified deficiencies. We would therefore propose that the second part of point g is deleted.</p>	<p>Paragraph 3.235 presents some examples of elements that could be taken into account, stressing that these might not be feasible for some types of deficiencies. Additionally, some criteria might not even make some sense for some undertakings.</p> <p>Operational risk is specifically mentioned because that is the risk undertakings face through governance deficiencies.</p> <p>In any case, and where applicable, CEIOPS considers that the existence of an operational risk events database (requirement which is in line with CEIOPS advice for the system of</p>

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				governance) might be helpful in the assessment of the seriousness (or recurrence) of a deficiency and consequently on the setting of the corresponding capital add-on.	
864.				-	
865.				-	
866.				-	
867.	CEA, ECO-SLV- 09-452	3.231.	<p>Peer group analysis could offer a useful tool but may not always be possible in practice.</p> <p>3.231, point b. This may not be possible in smaller markets. See also our comments on 3.202.</p> <p>The criterion on operational risk events is too detailed.</p> <p>3.231, point c. While operational risk events are very important, we believe that they should be considered in a more general manner, similarly to the other criteria mentioned in 3.231. Perhaps a more general description of events coming from deficiencies in governance (not only from operational risks) would be more appropriate.</p> <p>Governance capital add-ons should not be applied on deficiencies that have not yet been discovered.</p> <p>3.231, point g. It is unclear to us what is meant by "if any evidence indicates that more deficiencies are yet to be discovered". In our</p>	<p>As referred to in comment 863, these examples are not exhaustive and they do not necessarily have to be applicable in all situations. See also comment 12 above.</p> <p>For the other comments, see comment 863 above.</p>	

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			view governance capital add-ons can only be applied in response to identified deficiencies. We would therefore propose that the second part of point g is deleted.		
868.	CRO Forum	3.231.	See 3.39 a)	See comment 271 above.	
869.	German Insurance Association – Gesamtverb and der D	3.231.	<p>Peer group analysis could offer a useful tool but may not always be possible in practice.</p> <p>3.231, point b. This may not be possible in smaller markets. See also our comments on 3.202.</p> <p>The criterion on operational risk events is too detailed.</p> <p>3.231, point c. While operational risk events are very important, we believe that they should be considered in a more general manner, similarly to the other criteria mentioned in 3.231. Perhaps a more general description of events coming from deficiencies in governance (not only from operational risks) would be more appropriate.</p> <p>Governance capital add-ons should not be applied on deficiencies that have not yet been discovered.</p> <p>3.231, point g. It is unclear to us what is meant by "if any evidence indicates that more deficiencies are yet to be discovered". In our view governance capital add-ons can only be applied in response to identified deficiencies. We would therefore propose that the second part of point g is deleted.</p>	<p>See comment 867 above.</p> <p>See comment 863 above.</p> <p>See comment 863 above (last part).</p>	
870.	GROUPAMA	3.231.	See a) 3.39	See comment 271 above.	

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871.	Lloyd's	3.231.	It is difficult to envisage circumstances when there is 'any evidence [that] indicates that more deficiencies are yet to be discovered'. Please clarify or delete reference to this part in point g).	See comment 863 above (last part).	
872.	Munich RE	3.231.	Peer group analysis could offer a useful tool but may not always be possible in practice. See 3.202.	See comment 863 above (first paragraph). See also comment 12 above.	
873.	Pearl Group Life	3.231.	point g) It is unclear to us what is meant by "if any evidence indicates that more deficiencies are yet to be discovered". In our view governance capital add-ons can only be applied in response to identified deficiencies. We would therefore propose that the second part of point g is deleted.	See comment 863 above (last part).	
874.	CEA, ECO-SLV-09-452	3.232.	25. In our view as much detail as possible on calculation of governance capital add-ons should be included at Level 2. The list in 3.231 could be expanded. 26.	CEIOPS believes that too high a level of harmonisation on the calculation of governance capital add-ons cannot be accomplished at Level 2, as this would narrow the necessary flexibility in the case of the assessment of governance deficiencies. Additionally, it is also important to stress the fact that the provided list is not exhaustive and could be expanded in Level 3.	
875.	German Insurance Association – Gesamtverb and der D	3.232.	22. In our view as much detail as possible on calculation of governance capital add-ons should be included at Level 2. The list in 3.231 could be expanded.	See comment 874 above.	

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876.	PricewaterhouseCoopers LLP	3.232.	See 3.135.	See comment 646 above.	
877.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.233.	Undertakings should be able to ask for a review of capital add-ons. In our view the undertaking should also be able to ask the supervisor for a review of the circumstances which has lead to a capital add-on if the undertaking is of the opinion that the causes are remedied	See 878	
878.	Association of British Insurers	3.233.	Undertakings should be able to ask for a review of capital add-ons. In our view the undertaking should also be able to ask the supervisor for a review of the circumstances which has lead to a capital add-on if the undertaking is of the opinion that the causes are remedied. See also comments under 3.235.	According to paragraph 3.235 of CP 57, if the undertaking can show that the situation that led to the imposition of a capital add-on has changed significantly, it can ask the supervisory authority to review the situation. However, in situations where there is no such evidence, the supervisory authority should not be required to make this reassessment. See also comment 894 below.	
879.				-	
880.				-	
881.				-	
882.	CEA, ECO-SLV-	3.233.	Undertakings should be able to ask for a review of capital add-ons. In our view the undertaking should also be able to ask the	See comment 878 above.	

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	09-452		supervisor for a review of the circumstances which has lead to a capital add-on if the undertaking is of the opinion that the causes are remedied. See also our comments on 3.235.	
883.	German Insurance Association – Gesamtverb and der D	3.233.	Undertakings should be able to ask for a review of capital add-ons. In our view the undertaking should also be able to ask the supervisor for a review of the circumstances which has lead to a capital add-on if the undertaking is of the opinion that the causes are remedied. See also our comments on 3.235.	See comment 878 above.
884.	Pearl Group Life	3.233.	Undertakings should be able to ask for a review of capital add-ons. In our view the undertaking should also be able to ask the supervisor for a review of the circumstances which has lead to a capital add-on if the undertaking is of the opinion that the causes are remedied.	See comment 878 above.
885.	PricewaterhouseCoopers LLP	3.233.	It would be useful to have a consistently adopted process for follow-up of capital add-ons ensuring responsibilities are clear for supervisory authorities and undertakings.	The follow-up process may be further developed under Level 3 guidance.
886.	XL Capital Ltd	3.233.	We believe that the review of capital add-ons should take place more often than annually. Undertakings should be able to ask regulatory authorities to reconsider the add-ons as soon as the issues which resulted in an add-on have been resolved.	See comment 878 above.
887.	Association of British Insurers	3.234.	We strongly support this paragraph.	Noted.
888.				-
889.				-
890.				-

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891.	CEA, ECO-SLV- 09-452	3.234.	We strongly support this paragraph.		Noted.
892.	Pearl Group Life	3.234.	We strongly support this paragraph.		Noted.
893.					-
894.	Association of British Insurers	3.235.	The undertaking should be able to request for a more frequent than annual review.		See comment 878 above.
895.					-
896.					-
897.					-
898.	CEA, ECO-SLV- 09-452	3.235.	The undertaking should be able to request for a more frequent than annual review. We would propose that the following sentence is added at the end of 3.235: "There should be a formal process to this effect".		See comment 882 above. CEIOPS would also like to stress "Principle 2", which states that the whole process for setting a capital add-on, i.e. identification, assessment, calculation and follow-up, should follow a due process.
899.	German Insurance Association – Gesamtverb and der D	3.235.	The undertaking should be able to request for a more frequent than annual review. We would propose that the following sentence is added at the end of 3.235: "There should be a formal process to this effect".		See comment 898 above.
900.					

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901.	Pearl Group Life	3.235.	1. The undertaking should be able to request for a more frequent than annual review.	See comment 878 above.	
902.	XL Capital Ltd	3.235.	See comments in para 3.233.	See comment 882 above.	
903.	CEA, ECO-SLV-09-452	3.240.	It would be useful to have indicative timelines so that capital add-ons can be reviewed promptly.	The paragraph addresses the review of a risk capital add-on for standard formula users. Such capital add-ons are likely to be non-transitory. In these cases it does not make sense to review more than annually unless the undertaking can demonstrate that the situation has changed significantly during the year.	
904.	German Insurance Association – Gesamtverb and der D	3.240.	It would be useful to have indicative timelines so that capital add-ons can be reviewed promptly.	See comment 903 above.	
905.					
906.	Association of British Insurers	3.241.	We strongly support this paragraph. However we think that the communication with the undertaking following a decision to apply a capital-add on should contain detailed (rather than brief) reasons why a capital add-on is imposed, why other measures would not be sufficient, and details on how the amount of the add-on was determined. In situations where a capital add-on is set due to deficiencies in the governance requirements it is important to understand how a requirement for more capital would compensate for poor governance (and how the amount has been determined) so	Noted.	

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			as to avoid the risk that the add-on is perceived as a punitive rather than a corrective measure.		
907.					
908.					
909.					
910.					
911.	CEA, ECO-SLV- 09-452	3.241.	<p>We propose a number of additions to the communication with undertaking.</p> <p>We strongly support this paragraph. However we think that the communication with the undertaking following a decision to apply a capital-add on should contain detailed (rather than brief) reasons why a capital add-on is imposed, why other measures would not be sufficient, and details on how the amount of the add-on was determined. In situations where a capital add-on is set due to deficiencies in the governance requirements it is of importance to understand how a requirement for more capital would compensate for poor governance (and how the amount has been determined) so as to avoid the risk that the add-on is perceived as a punitive rather than corrective measure.</p>	Detailed is not necessarily inconsistent with brief. All aspects mentioned are already covered in the paragraph.	
912.	European Insurance CFO Forum	3.241.	<p>More detailed disclosure is required from regulators as to the reason why a Capital Add-On is required.</p> <p>The CP requires only brief disclosure by regulators of the reasons why a Capital Add-On is required. Further, disclosure of the Add-On is the responsibility of the local regulator and could be at any point up to 5 years after the capital add on is applied. Given that this is market sensitive data, it is important that this is disclosed in a consistent manner.</p>	<p>See comment 911 above.</p> <p>Disclosure is solely the responsibility of the undertaking.</p> <p>All this is already covered.</p>	

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			<p>Regulators should produce a report to the entity within 3-4 months of the Capital Add-On being advised setting out:</p> <ul style="list-style-type: none"> <input type="checkbox"/> the reasons why a Capital Add-On is required;; <input type="checkbox"/> why other measures would not be sufficient;; <input type="checkbox"/> the methodology and assumptions used to calculate the add-on;; and <input type="checkbox"/> actions required for the Capital Add-On to be removed. <p>In situations where a Capital Add-On is set due to deficiencies in the governance requirements, it is of importance to understand how a requirement for more capital would compensate for poor governance so as to avoid the risk that the Add-On is perceived as a punitive rather than corrective measure.</p>	<p>However, there will be an explanation, not a report, i.e. the explanation will be reduced to what is strictly relevant and necessary. This explanation will be given with the decision to set a capital add-on.</p>
913.	European Insurance CFO Forum	3.241.	<p>More detailed disclosure is required from regulators as to the reason why a Capital Add-On is required.</p> <p>The CP requires only brief disclosure by regulators of the reasons why a Capital Add-On is required. Further, disclosure of the Add-On is the responsibility of the local regulator and could be at any point up to 5 years after the capital add on is applied. Given that this is market sensitive data, it is important that this is disclosed in a consistent manner.</p> <p>Regulators should produce a report to the entity within 3-4 months of the Capital Add-On being advised setting out:</p> <ul style="list-style-type: none"> <input type="checkbox"/> the reasons why a Capital Add-On is required; <input type="checkbox"/> why other measures would not be sufficient; <input type="checkbox"/> the methodology and assumptions used to calculate the add-on; and <input type="checkbox"/> actions required for the Capital Add-On to be removed. 	<p>See comments 911 and 912 above.</p>

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			In situations where a Capital Add-On is set due to deficiencies in the governance requirements, it is of importance to understand how a requirement for more capital would compensate for poor governance so as to avoid the risk that the Add-On is perceived as a punitive rather than corrective measure.		
914.					
915.	Pearl Group Life	3.241.	We strongly support this paragraph. However we think that the communication with the undertaking following a decision to apply a capital-add on should contain detailed (rather than brief) reasons why a capital add-on is imposed, why other measures would not be sufficient, and details on how the amount of the add-on was determined. In situations where a capital add-on is set due to deficiencies in the governance requirements it is important to understand how a requirement for more capital would compensate for poor governance (and how the amount has been determined) so as to avoid the risk that the add-on is perceived as a punitive rather than a corrective measure.	See comment 911 above.	
916.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.242.	The communication with the undertaking following a decision to apply a capital-add on should contain detailed (rather than brief) reasons why a capital add-on is imposed, why other measures would not be sufficient, and details on how the amount of the add-on was determined. In situations where a capital add-on is set due to deficiencies in the governance requirements it is of importance to understand how a requirement for more capital would compensate for poor governance (and how the amount has been determined) so as to avoid the risk that the add-on is perceived as a punitive rather than corrective measure.	Noted	
917.	Association of British Insurers	3.242.	We would also propose adding the following point: "d) explanation of the process for setting capital add-ons including how the undertaking could appeal it."	The reasons for the capital add-on are already covered in the paragraph; there is no good reason for explaining the	

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			Please see also comments under 3.241.	"process". The last point is covered by the footnote 5 in the CP.	
918.					
919.					
920.					
921.			Confidential comment deleted		
922.	CEA, ECO-SLV- 09-452	3.242.	We would also propose adding the following additional point: "d) explanation of the process for setting capital add-ons including how the undertaking could appeal it." Please see also our comments on 3.241.	See comment 917.	
923.	CRO Forum	3.242.	We consider the written communication sent by Regulators should also include: <input type="checkbox"/> Methodology and assumptions to calculate the capital add-on <input type="checkbox"/> Actions required for the capital add-on to be removed	This is already covered by the paragraph and the next paragraph respectively.	
924.	DIMA (Dublin International Insurance & Management	3.242.	The communication from the regulator to the undertaking could also include: - Methodology and assumptions to calculate the capital add-on Actions required for the capital add-on to be removed.	See comment 924.	
925.	German Insurance Association –	3.242.	We would also propose adding the following additional point: "d) explanation of the process for setting capital add-ons including how the undertaking could appeal it."	See comment 917 above.	

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	Gesamtverb and der D		Please see also our comments on 3.241.		
926.	Lloyd's	3.242.	<p>The communication with the undertaking following a decision to set a capital add-on should include a detailed (and not a brief) description of the deviation that has been identified together with detailed reasons why the deviation is considered significant, why a capital add-on is imposed, why other measures would not be sufficient and how the proposed amount of the capital add-on was determined. The communication must set out: the steps that the entity needs to take to result in the capital add-on being withdrawn by the supervisor; the timeframe for reconsidering the add-on; and the appeals process. In all cases, the capital add-on should be seen as a corrective measure and not a punitive measure.</p>		<p>See comments 911 and 912 above.</p> <p>See new paragraph. As it is up to the undertaking to decide how the necessary improvement is to be achieved, the steps to that goal cannot be set out.</p> <p>The timeframe cannot be predetermined as it depends on the undertaking demonstrating that there are reasons for a review.</p> <p>Information about the appeals process falls under footnote 5.</p>
927.	Pearl Group Life	3.242.	<p>We would also propose adding the following point:</p> <p>"d) explanation of the process for setting capital add-ons including how the undertaking could appeal it."</p> <p>Please see also comments under 3.241.</p>		See comment 917 above.
928.	XL Capital Ltd	3.242.	<p>We agree with the process set out in this paragraph for communicating add-on decisions to the undertakings. We would expect the communication to be detailed rather than brief (sub para a and b)</p>		Noted. A brief outline is not necessarily inconsistent with providing all relevant details.

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929.	AAS BALTA	3.243.	Strongly agree.		Noted.
930.	AB Lietuvos draudimas	3.243.	Strongly agree.		Noted.
931.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.243.	We strongly support this paragraph.		
932.	CEA, ECO-SLV-09-452	3.243.	We strongly support this paragraph.		Noted.
933.	DENMARK: Codan Forsikring A/S (10529638)	3.243.	Strongly agree.		Noted.
934.	Institut des actuaires (France)	3.243.	Institut des Actuaire highlights the risk relating to the communication of confidential information from an undertaking to another in the application of (c) in the case of comparable analysis.		CEIOPS is aware that no confidential information can be provided in this case.
935.	Link4 Towarzystwo Ubezpieczeń SA	3.243.	Strongly agree.		Noted.

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936.	Munich RE	3.243.	We strongly support this paragraph.		Noted.
937.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.243.	Strongly agree.		Noted.
938.	RSA Insurance Group PLC	3.243.	Strongly agree.		Noted.
939.	RSA Insurance Ireland Ltd	3.243.	Strongly agree.		Noted.
940.	RSA - Sun Insurance Office Ltd.	3.243.	Strongly agree.		Noted.
941.	SWEDEN: Trygg-Hansa Försäkrings AB (516401- 7799)	3.243.	Strongly agree.		Noted.
942.	International Underwriting Association of London	3.244.	We believe that the transitional period applying to disclosures should apply until such a time that supervisors are satisfied that Solvency II has been successfully implemented and that most minor difficulties have been ironed out. The length of time for which such discretion will apply, should ideally come from a European level in the interests of maintaining a level playing field. Furthermore, we feel that such a public disclosure should include		The Level 1 text gives the option to make use of a transitional period to Member States and limits the period to a maximum of five years.

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			the remedial action and the remedial timeframe which the undertaking is obliged to comply with. Furthermore, in the interests of fairness, we also believe that where an undertaking has become compliant, and the supervisor removes the capital add-on this should also be publically disclosed.	Article 50 does not require that the remedial action and the remedial timeframe are disclosed. CEIOPS considers that while this is not required disclosure of updated information in accordance to Article 53 (which is limited to negative facts) there is no reason why undertakings could not provide a positive update voluntarily.	
943.	PricewaterhouseCoopers LLP	3.244.	Allowing Member States discretion over the public disclosure over capital add-ons during the transitional period will not support and uphold the level playing field. We would support a consistent approach to disclosure of capital add-ons during the transitional period.	Such an approach is not required by the Level 1 text.	
944.					
945.	CEA, ECO-SLV-09-452	3.246.	See comment to 3.282.	See comment 1131 below.	
946.	German Insurance Association – Gesamtverb and der D	3.246.	See comment to 3.282.	See comment 1131 below.	
947.	ROAM (Réunion	3.246.	ROAM approves the way of use of capital add-on:	Noted.	

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	des Organismes d'Assurance Mutuel		<input type="checkbox"/> capital add-on is used to correct a deficit situation <input type="checkbox"/> capital add-on is used temporary, up to the implementation of a solution to fill the deficit ;; <input type="checkbox"/> capital add-on is the ultimate solution, after a due process of analysis and discussions between supervisor and undertaking.	
948.			Confidential comment deleted	Noted
949.	CEA, ECO-SLV-09-452	3.247.	<p>Developing an adequate standard formula is crucial for avoiding large numbers of capital add-ons.</p> <p>We would like to emphasise the importance of the quality of the standard formula, which has to correctly capture the main specificities of undertakings such as long tails, specialisation etc. Without an adequate standard formula, there will be difficulties. The only solution for small sized undertakings may be to develop an internal model, which can be disproportionate as Ceiops rightly states in 3.247. And even if the company succeeds in implementing a management for its internal model, it will be necessary to send back this burden to its policyholders by increasing their insurance premiums.</p> <p>Please see also our comments on the use of entity-specific parameters (paragraph 3.2). The use of entity-specific parameters is very important. There should be other measures available to smaller undertakings than the application of a capital add-on.</p>	<p>Noted.</p> <p>The rules are the same for small undertakings. It is not possible to allow the use of entity-specific parameters that are normally not possible in order to avoid setting a capital add-on.</p>
950.	CRO Forum	3.247.	How will supervisors ensure that firms who engage in internal model builds are not unduly penalised? A better process would be	The paragraph is not about undertakings that use an internal

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			to require a formal process of dialogue to circumvent the use of add-ons, where possible.		model. But it is up to internal model users to avoid the necessity to set a capital add-on by adapting the internal appropriately in a timely manner or by keeping their risk profile on track.
951.	German Insurance Association – Gesamtverb and der D	3.247.	<p>Developing an adequate standard formula is crucial for avoiding large numbers of capital add-ons.</p> <p>We would like to emphasise the importance of the quality of the standard formula, which has to correctly capture the main specificities of undertakings such as long tails, specialisation etc. Without an adequate standard formula, there will be difficulties. The only solution for small sized undertakings may be to develop an internal model, which can be disproportionate as CEIOPS rightly states in 3.247. And even if the company succeeds in implementing a management for its internal model, it will be necessary to send back this burden to its policyholders by increasing their insurance premiums.</p> <p>Please see also our comments on the use of entity-specific parameters (paragraph 3.2). The use of entity-specific parameters is very important. There should be other measures available to smaller undertakings than the application of a capital add-on.</p>		Noted. See comment 949 above.
952.	Munich RE	3.247.	How will supervisors ensure that firms who engage in internal model builds are not unduly penalised? A better process would be to require a formal process of dialogue to circumvent the use of add-ons, where possible.		See comment 950 above.
953.	ROAM (Réunion)	3.247.	ROAM emphasizes once again the major importance of the quality of the standard formula, which takes into account the main		Noted.

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	des Organismes d'Assurance Mutuel		<p>characteristics of the undertakings: long tail, specialization, etc. (see ROAM comments already formulated on this topic).</p> <p>Without an adequate standard formula, the use of a capital add-on will be inappropriate.</p> <p>In such case, the only solution for small sized undertakings will be to have recourse to an internal model, a real dead end because disproportionate regarding their available resources, as CEIOPS reminds rightly in this paragraph.</p> <p>And even if the company succeeds in implementing a management for its internal model, it will be necessary to send back this burden on its policyholders in increasing their insurance premium.</p>		See comment 949 above.
954.	GROUPAMA	3.248.	We think that the text should clarify that development of an internal model is not always related to full internal models and that a partial internal model would, in most of the cases, be sufficient to take into account a specific risk profile deviation.		CEIOPS has changed the text to explicitly state this very obvious fact.
955.	European Union member firms of Deloitte Touche To	3.250.	We believe that the identification of when an internal model is inappropriate is the same as approving an internal model, but this means that to identify when the internal model is inappropriate will be costly, time consuming and complex. The adequate assessment of an integrated internal model which is not an easily accessible separate segment of the undertaking will be required. Therefore, caution might be taken in stating that a full approval process of the model should be performed again and detailed key considerations should rather be identified.		<p>The paragraph does not require that a full approval process is performed again. At some point during the approval process perhaps after the undertaking has unsuccessfully tried to make changes required to get approval, the supervisor will realise that an approval of the model is unrealistic.</p> <p>Disagree please refer to paragraphs 3.34 and 3.35 of the advice</p>
956.			Confidential comment deleted		

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957.	CRO Forum	3.251.	CRO supports Option 2 under level 2 measures as a simpler approach which avoids case-by-case decisions	Noted.	
958.	DIMA (Dublin International Insurance & Management	3.251.	Option 2 is the most preferable. However the supervisory authority should also have some discretion not to impose a capital add on if the circumstances warrant it.	Noted.	
959.	European Insurance CFO Forum	3.251.	Comments in 3.52 are also relevant here.	Noted.	
960.	European Insurance CFO Forum	3.251.	Comments in 3.52 are also relevant here.	Noted.	
961.	GROUPAMA	3.251.	GROUPAMA supports Option 2 under level 2 measures as allowing for a simpler approach and avoiding case-by-case decision.	Noted.	
962.	Lloyd's	3.251.	Regarding the assessment of the significance of a risk profile deviation, we consider that the excess of own funds over the SCR should be included as a reference for determining the definition of 'significance'. Insurance undertakings should correct all deviations and if there is an excess of own funds, policyholders' interests are not necessarily at risk at this stage. If the deviation remains uncorrected, then by definition, the SCR will need to be increased and therefore amended accordingly.	CEIOPS has explained why this is not really an option. Since the SCR is to be disclosed failing to set a capital add-on, i. e. failing to increase the SCR although the SCR as calculated is significantly underestimated would not provide a fair view of the solvency position of the undertaking concerned and would distort the level playing field.	
963.	CEA, ECO-SLV-	3.252.	Ceioops allows for situations that may lead supervisory authorities to alter the reference value regarding significance of the deviation.	Noted	

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	09-452		<p>Ceioms should clarify whether this provision concerns all risk capital add-ons (whether on standard formula or internal model) or only standard formula. Paragraph 3.70 only refers to standard formula.</p> <p>We would support this provision on internal models but not on standard formula, as it allows for discretionary approach which does not fit to standard formula.</p> <p>See also our comment to 3.282.</p>	<p>It applies to both.</p> <p>Noted</p> <p>Noted</p>	
964.	CRO Forum	3.252.	<p>We believe that the significance level should only vary according to the timeframe to take into account the deviation (i/e change the risk profile or develop an internal model) and not according to the type of uncertainty.</p> <p>In such case of significant deviation, the undertaking and the supervisor should firstly discuss how the internal model can be adapted to capture this change. A capital add-on could then only be envisaged if the undertaking and the supervisor fail to agree on an appropriate change to the internal model.</p>	<p>See comment 331 above.</p> <p>According to the Level 1 text it is not failure to agree on the change but failure of the undertaking to adapt the model within an appropriate timeframe that could lead to a capital add-on.</p>	
965.	European Union member firms of Deloitte Touche To	3.252.	<p>We agree that for a deviation in a risk that is static, a small deviation could mean a more serious problem since the deviation would be constant. However, for a risk that is very volatile where the deviation is not constant, the problem can also become quite serious in tail/extreme events. Therefore, we advise to perform risk mitigation actions and stress testing.</p>	Noted.	

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966.	FFSA	3.252.	<p>CEIOPS allows for situations that may lead supervisory authorities to alter the reference value regarding significance of the deviation.</p> <p>CEIOPS should clarify whether this provision concerns all risk capital add-on (whether on standard formula or internal model) or only standard formula. Art 3.70 only refers to standard formula</p> <p>FFSA would support the opinion that the process for the supervisor to assess the potential risk profile deviation in case of using an internal model is included in the general approval process of internal model and should not be a source of capital add-on. As a result, FFSA does not see the rationale for a supervisor to impose any capital add-on for risk deviation once using an "approved" internal model. Accordingly, FFSA recommends specifying that , after an internal model has received approval, a capital add-on can only be suggested if there are material changes in the risk profile of the undertaking or in the general macro-economic environment that the approved internal model fails to capture adequately (i.e. a module of an internal model that has been approved should not be subject to a capital add-on unless the supervisor can demonstrate that there are new elements that indisputably make this module no longer valid). In such case, the undertaking and the supervisor should firstly discuss how the internal model can be adapted to capture this change. A capital add-on could then only be envisaged if the undertaking and the supervisor fail to agree on an appropriate change to the internal model.</p>	<p>It applies to both.</p> <p>See comment 9 above.</p>
967.	German Insurance Association – Gesamtverb and der D	3.252.	<p>CEIOPS allows for situations that may lead supervisory authorities to alter the reference value regarding significance of the deviation.</p> <p>CEIOPS should clarify whether this provision concerns all risk capital add-ons (whether on standard formula or internal model) or only standard formula. Paragraph 3.70 only refers to standard formula.</p>	See comment 963 above.

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			<p>We would support this provision on internal models but not on standard formula, as it allows for discretionary approach which does not fit to standard formula.</p> <p>See also our comment to 3.282.</p>		
968.	GROUPAMA	3.252.	We believe that the significance level should only vary according to the timeframe to take into account the deviation (i/e change the risk profile or develop an internal model) and not according to the type of uncertainty. For example, we do not see any reason why a high sensitivity of the reference value to assumptions should lead to a lower percentage to be used.	See comment 331 above.	
969.	Lloyd's	3.252.	It would be helpful to clarify whether these situations in relation to deviations from the reference value for SCRs are calculated under the standard formula or the internal model. Paragraph 3.70 only refers to undertakings using the standard formula.	See comment 963 above.	
970.	Munich RE	3.252.	We believe that the significance level should only vary according to the timeframe to take into account the deviation (i/e change the risk profile or develop an internal model) and not according to the type of uncertainty.	See comment 331 above.	
971.	CEA, ECO-SLV- 09-452	3.253.	See our comments on 3.52 and 3.56. We support option 2 as it allows a simpler approach and avoid case-by-case study.	Noted. See comment 289 above.	
972.	CRO Forum	3.253.	We believe that this is more related to deviation identification than assessment	Once a deviation has been identified, its significance should be assessed.	
973.	DIMA (Dublin	3.253.	In practice it may prove difficult to assess items (a), (b) and (c).	Noted.	

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	International Insurance & Management				
974.	FFSA	3.253.	<p>CEIOPS develops three options regarding how the quantitative significance for undertakings using a standard formula could be assessed:</p> <ul style="list-style-type: none">- Option 1: Harmonised criteria (established at Level 2)- Option 2: Harmonised threshold, with a reference value of [5%-15%] of the overall SCR (established at Level 2)- Option 3: Harmonised threshold, with a reference value of [5%-15%] of the overall SCR, but that could be departed from based on the application of harmonised criteria. <p>CEIOPS prefers the option 3 under Level 2 measures and gives insight on the criteria to be considered.</p> <p>FFSA would rather support Option 2 as allowing for a simpler approach and avoiding case-by-case study.</p>	Noted. CEIOPS disagrees for the reasons explained in the white text of the Advice.	
975.	German Insurance Association – Gesamtverb and der D	3.253.	See our comments on 3.52 and 3.56. We support option 2 as it allows a simpler approach and avoid case-by-case study.	Noted. See comments 295 above.	
976.	GROUPAMA	3.253.	We believe that this is more related to deviation identification than assessment	See comment 972 above.	
977.	Munich RE	3.253.	We believe that this is more related to deviation identification than assessment	See comment 972 above.	
978.	CEA,	3.254.	See our comments on 3.94. We support option 3.	Noted.	

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	ECO-SLV-09-452		We also propose the following redrafting: "...supervisory authorities should consider all relevant conditions to deviate from the reference value. These may should include". We would ask Ceiops to change "may" to "should" to get a harmonised assessment.	CEIOPS disagrees. Some flexibility is needed. Risk profile capital add-ons deal with significant deviations and with situations in which policyholder protection is at stake. The process to establish a capital add-on must not become unduly burdensome and lengthy for supervisory authorities.	
979.	CRO Forum	3.254.	We believe that this is more related to deviation identification than assessment	CEIOPS disagrees.	
980.	DIMA (Dublin International Insurance & Management	3.254.	It may prove difficult to assess items (a) to (h).	Noted. The wording is "may include" and not "shall include".	
981.	European Insurance CFO Forum	3.254.	Requirements should be strengthened to ensure a harmonised assessment. To ensure a harmonised assessment, the sentence: ""...supervisory authorities should consider all relevant conditions to deviate from the reference value. These may include:"" should be strengthened to read: ""...supervisory authorities should consider all relevant conditions to deviate from the reference value. These should include:""	See comment 978 above.	
982.	European Insurance CFO Forum	3.254.	Requirements should be strengthened to ensure a harmonised assessment. To ensure a harmonised assessment, the sentence:	See comment 978 above.	

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			<p>"...supervisory authorities should consider all relevant conditions to deviate from the reference value. These may include:"</p> <p>should be strengthened to read:</p> <p>"...supervisory authorities should consider all relevant conditions to deviate from the reference value. These should include:"</p>	
983.	FFSA	3.254.	<p>CEIOPS presents three options regarding how the quantitative significance for undertakings using an internal model could be assessed:</p> <ul style="list-style-type: none"> - Option 1: Harmonised criteria established at Level 2; - Option 2: Harmonised threshold, with a reference value of [5%-15%] of the overall SCR to be established at Level 2 - Option 3: Harmonised threshold, with a reference value of [5%-15%] of the overall SCR to be established at Level 2, but that could be departed from based on the application of harmonised criteria. <p>CEIOPS prefers the option 3 under Level 2 measures and recommends the use of the criteria used as regards materiality assessment.</p> <p>FFSA supports CEIOPS' option and agree with the proposed criteria, on condition that i/ harmonization between supervisors and ii/ case by case applicability be granted but again FFSA does not see the rationale for a supervisor to impose any capital add-on for risk deviation once using an "approved" internal model</p>	Noted.
984.	German Insurance Association – Gesamtverb	3.254.	<p>See our comments on 3.94. We support option 3.</p> <p>We also propose the following redrafting:</p> <p>"...supervisory authorities should consider all relevant conditions to deviate from the reference value. These may should include". We</p>	See comment 978 above.

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	and der D		would ask CEIOPS to change "may" to "should" to get a harmonised assessment.		
985.	GROUPAMA	3.254.	We believe that this is more related to deviation identification than assessment	CEIOPS disagrees.	
986.	Lloyd's	3.254.	See comment to 3.94. In order to ensure maximum harmonisation, we suggest that the word 'may' in the second sentence is changed to 'should'.	See comment 978 above.	
987.	Munich RE	3.254.	We believe that this is more related to deviation identification than assessment	CEIOPS disagrees.	
988.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.255.	See comments on 3.81.	Noted	
989.	CEA, ECO-SLV-09-452	3.255.	See comments on 3.81.	See comment 443 above.	
990.	CRO Forum	3.255.	<p>How will supervisors ensure that credit is given for risks that have been overstated?</p> <p>The use of the words "with sufficiently strong arguments" needs to be defined further as the statement is too vague.</p> <p>How will supervisors equip themselves with the tools and capability to check and approve the challenges from firms regarding overstated risks?</p> <p>Assuming, credit for overstated capital will be allowed, on a</p>	<p>It will be the responsibility of the undertaking to convince the supervisor that credit should be given.</p> <p>Further guidance will be developed at Level 3 on the Supervisory Review Process and</p>	

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			<p>practical level, how will supervisors allow for situations where the level of capital charge overstatements completely offsets the level of understatements?</p> <p>Please refer to our comments in 3.71 and 3.81.</p>	<p>to improve supervisory convergence.</p> <p>Particular cases will inevitably need to be considered on an individual basis.</p>	
991.	FFSA	3.255.	FFSA supports the option that when assessing the significance of the deviation the supervisory authorities could consider the risks that are underestimated by the SCR formula and the risks that may be overestimated, which allows for balancing. FFSA does not support CEIOPS on this matter.	Noted.	
992.	German Insurance Association – Gesamtverband der D	3.255.	See comments on 3.81.	See comment 445 above.	
993.	GROUPAMA	3.255.	We support CEIOPS allowing the undertakings to counter argue that the SCR is in line with the VaR 99,5% for 1-year period principle	Noted.	
994.	Munich RE	3.255.	See comments on 3.81.	See comment 450 above.	
995.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.256.	<p>CEIOPS should give more precise criteria on assessing the significant deviation for a governance capital add-on.</p> <p>In our view the current advice does not give a sufficient level of detail for there to be supervisory convergence in the application of a governance capital add-on.</p> <p>Risk categorisation should be harmonised.</p>	Noted	

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		<p>3.256, point c. We understand that CEIOPS intends to develop risk categorisation under Level 3 guidance. We support the development of risk categorisation but the advice should be redrafted to say: "Any risk categorisation that will developed for Level 3 guidance and that will be used as part of the Supervisory Review Process". Otherwise the advice could be understood to imply that it refers to any risk categorisation that supervisory authorities develop and that differ from member state to member state. This will aid the harmonisation of governance capital add-ons.</p> <p>For us this article is too vague. In general, the case when the system of governance is ineffective seems to have few impacts on potential capital add on.</p>	
996.	CEA, ECO-SLV-09-452	<p>3.256.</p> <p>Ceips should give more precise criteria on assessing the significant deviation for a governance capital add-on.</p> <p>In our view the current advice does not give a sufficient level of detail for there to be supervisory convergence in the application of a governance capital add-on.</p> <p>Risk categorisation should be harmonised.</p> <p>3.256, point c. We understand that Ceips intends to develop risk categorisation under Level 3 guidance. We support the development of risk categorisation but the advice should be redrafted to say: "Any risk categorisation that will developed for Level 3 guidance and that will be used as part of the Supervisory Review Process". Otherwise the advice could be understood to imply that it refers to any risk categorisation that supervisory authorities develop and that differ from member state to member state. This will aid the harmonisation of governance capital add-ons.</p>	<p>Noted. CEIOPS disagrees for the reasons explained in the white text of the Advice.</p> <p>Noted. The Supervisory Review Process will be developed at Level 3. This means that it will be harmonised.</p>

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997.	CRO Forum	3.256.	While recognising that the proportionality principle should apply and that there are different ways of organising a proper system of governance, care nonetheless needs to be taken to ensure small undertakings have appropriate systems of governance in place.	Noted.
998.	DIMA (Dublin International Insurance & Management	3.256.	While recognising that the proportionality principle should apply and that there are different ways of organising a proper system of governance, care nonetheless needs to be taken to ensure small undertakings have appropriate systems of governance in place.	Noted.
999.	FFSA	3.256.	FFSA suggests defining more precisely as level 2 implementing measures the source of governance deviation that may lead supervisor to impose capital add-on.	CEIOPS disagrees. This is too difficult to define precisely as each undertaking will arrange its system of governance in a different way.
1,000.			Confidential comment deleted	Noted
1,001.	German Insurance Association – Gesamtverb and der D	3.256.	CEIOPS should give more precise criteria on assessing the significant deviation for a governance capital add-on. In our view the current advice does not give a sufficient level of detail for there to be supervisory convergence in the application of a governance capital add-on. Risk categorisation should be harmonised. 3.256, point c. We understand that CEIOPS intends to develop risk categorisation under Level 3 guidance. We support the development of risk categorisation but the advice should be redrafted to say: "Any risk categorisation that will developed for	Noted. CEIOPS disagrees for the reasons explained in the white text of the Advice. See comment 996 above.

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			Level 3 guidance and that will be used as part of the Supervisory Review Process". Otherwise the advice could be understood to imply that it refers to any risk categorisation that supervisory authorities develop and that differ from member state to member state. This will aid the harmonisation of governance capital add-ons.		
1,002.	Lloyd's	3.256.	Point c) should make it clear that the risk categorisation will be developed under Level 3 guidance.	The Supervisory Review Process will be developed at Level 3 but this cannot be included in the in the "blue box" as it is not something for the EU COM to implement.	
1,003.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.257.	See comment on 3.143	Noted	
1,004.	Association of British Insurers	3.257.	<p>The timeframe of a maximum 6 months is too short.</p> <p>If a (partial) internal model is to be adapted the insurer needs time to assess, design and implement the change. Subsequently this change has to be endorsed by the supervisors in accordance with the principles laid out for the approval of internal models. This could take to up 6 months. The current wording implies that if an internal model has to be changed then a capital add-on could be imposed immediately. Therefore we propose that there is either no maximum timeframe or a longer timeframe, between 9 months and 12 months. We also would like the level of own funds to be taken into account when setting the timeframe to remedy any deficiencies.</p>	<p>Noted.</p> <p>The timeframe in this paragraph refers to governance capital add-ons only.</p>	

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			Also see comments under 3.143.		
1,005.					
1,006.					
1,007.					
1,008.			Confidential comment deleted		See comment 1004
1,009.	CEA, ECO-SLV- 09-452	3.257.	<p>The timeframe of a maximum 6 months is too short.</p> <p>If an (partial) internal model is to be adapted the insurer needs time to assess, design and implement the change. Subsequently this change has to be endorsed by the supervisors in accordance with the principles laid out for the approval of internal models. This could take to up 6 months. The current wording implies that if an internal model has to be changed then that a capital add-on could be imposed immediately. Therefore we propose that there is either no maximum timeframe or a longer timeframe, between 9 months and 12 months. In addition, there should a time limit for supervisors to assess an internal model.</p> <p>We also would like the level of own funds to be taken into account when setting the timeframe to remedy any deficiencies. Also see our comments on 3.143.</p>		See comment 1004 above.
1,010.	CRO Forum	3.257.	<p>In principle we prefer Option 1.</p> <p>Should Option 2 be the selected choice, we submit that a maximum period of 1 year instead of 6 months is applied. Indeed, solving deficiencies often imply changes in organisation and/or databases and/or modelling tools that seem not compatible with a 6 month timeframe.</p>		<p>Noted.</p> <p>The capital add-on is to cover the additional risk the undertaking is exposed to owing to the significant governance deficiency. So what is relevant is not how</p>

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				long the undertaking could reasonably expect to take to remedy the deficiency but how soon does policyholder protection require that the additional risks be covered by additional capital requirements in view of the specific deficiency and the consequences it could have.	
1,011.	FFSA	3.257.	<p>As regards the appropriate timeframe (for the significant deviation to be remedied before capital add-on be imposed), two approaches were investigated:</p> <ul style="list-style-type: none"> - Option 1: a principles-based approach with general criteria established at Level 2, with no absolute maximum - Option 2: maximum period of 6 months that could be shortened according to the general criteria established at Level 2 <p>CEIOPS is in favor of Option 2 and proposes criteria, the main one being the protection of policy holders</p> <p>FFSA supports Option 1 and agree with the proposed criteria, as long as harmonisation is granted.</p>	Noted.	
1,012.	German Insurance Association – Gesamtverb and der D	3.257.	<p>The timeframe of a maximum 6 months is too short.</p> <p>If an (partial) internal model is to be adapted the insurer needs time to assess, design and implement the change. Subsequently this change has to be endorsed by the supervisors in accordance with the principles laid out for the approval of internal models. This could take to up 6 months. The current wording implies that if an internal model has to be changed then that a capital add-on could</p>	Noted. See comment 1010 above.	

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			<p>be imposed immediately. Therefore we propose that there is either no maximum timeframe or a longer timeframe, between 9 months and 12 months. In addition, there should a time limit for supervisors to assess an internal model.</p> <p>We also would like the level of own funds to be taken into account when setting the timeframe to remedy any deficiencies. Also see our comments on 3.143.</p>	
1,013.	GROUPAMA	3.257.	We support option 2 but with a maximum period of 1 year instead of 6 months. Indeed, solving deficiencies often imply changes in organisation and/or databases and/or modelling toolst hat seem not compatible with a 6 month timeframe.	Noted. See comment 1010 above.
1,014.	Lloyd's	3.257.	A maximum period of 6 months for an undertaking to solve a deficiency without being set a capital add-on, may be too short in certain circumstances particularly where the undertaking is using an internal model to determine the SCR. In some instances it would take longer than 6 months for changes to internal models to be made and for these changes to be approved by supervisors. There should therefore be no maximum timeframe or the maximum period should be increased to 12 months, taking into account the undertaking's excess of own funds over the SCR.	Noted. See comment 1010 above.
1,015.	Munich RE	3.257.	The timeframe of a maximum 6 months is too short. Solving deficiencies often imply changes in organisation and/or databases and/or modelling tools that seem not compatible with a 6 month timeframe. Therefore we propose that the maximum timeframe is 12 months.	Noted. See comment 1010 above.
1,016.	Pearl Group Life	3.257.	<p>The timeframe of a maximum 6 months is too short.</p> <p>If an (partial) internal model is to be adapted the insurer needs</p>	Noted. See comment 1010 above.

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			time to assess, design and implement the change. Subsequently this change has to be endorsed by the supervisors in accordance with the principles laid out for the approval of internal models. This could take to up 6 months. The current wording implies that if an internal model has to be changed then a capital add-on could be imposed immediately. Therefore we propose that there is either no maximum timeframe or a longer timeframe, between 9 months and 12 months. We also would like the level of own funds to be taken into account when setting the timeframe to remedy any deficiencies.	
1,017.	XL Capital Ltd	3.257.	See comments in para 3.149.	See comment 678 above.
1,018.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.258.	See our comment on 3.257. The criteria include operational risk events that have occurred. It seems that operational risk events that could occur are not taking into account. For us, these risks must be taken into account, especially when those events could have huge financial impacts.	Noted
1,019.			Confidential comment deleted	Noted
1,020.	CEA, ECO-SLV-09-452	3.258.	See our comment on 3.257.	See comment 1004 above.
1,021.	CRO Forum	3.258.	Other criteria that could be used to assess the appropriate time period should include: <input type="checkbox"/> The type of undertaking <input type="checkbox"/> The types of policyholders at stake (for example a reinsurance company reinsuring only business from within the group may be permitted a longer time frame to solve a deficiency,	The list in 3.258 is not closed.

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			particularly if the probability of financial loss is immaterial relative to the group's capital position)		
1,022.	DIMA (Dublin International Insurance & Management	3.258.	Other criteria that could be used to assess the appropriate time period should include: <ul style="list-style-type: none"> - the type of undertaking (reinsurance vs insurance) - the policyholders at stake (for example a reinsurance company reinsuring only group business may be permitted a longer timeframe to solve a deficiency, particularly if the probable financial loss is immaterial relative to the group's capital position) - (these two comments above could be applied to 3.253, 3.254 & 3.256) - any temporary risk monitoring/management measures that the undertaking could put in place to reduce the potential impact of the deficiency. 	See comment 1021 above.	
1,023.			Confidential comment deleted	Noted	
1,024.	German Insurance Association – Gesamtverb and der D	3.258.	See our comment on 3.257.	See comment 1010 above.	
1,025.	Lloyd's	3.258.	Same comment as for paragraph 3.257 for the maximum period of 6 months and including the excess of the undertaking's own funds as one of the criteria to assess the appropriate time period.	See comment 1010 above.	
1,026.	Munich RE	3.258.	See our comment on 3.257.	See comment 1010 above.	
1,027.	ACA – ASSOCIATIO	3.259.	There should be an appeal process.		

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	N DES COMPAGNIE S D'ASSURAN CES DU		<p>We recommend that CEIOPS commits itself to a procedure of appeal and arbitration, playing a role in the case of disagreement between the undertakings and the supervisors. The details of this process should be set out at Level 2.</p> <p>We recommend that CEIOPS plays an important role in the validation of capital add-ons proposed by local supervisors.</p> <p>This is in order to foster harmonised practices across the EU.</p> <p>More details are required on the reasons for capital add-ons.</p> <p>We would ask for more detail on the justification of the calculation details to set capital add-on, and the process for explaining the reasons for the capital add-on to the undertaking.</p>		
1,028.			Confidential comment deleted		Exceptional Noted
1,029.	CEA, ECO-SLV- 09-452	3.259.	<p>More details are required on the reasons for capital add-ons.</p> <p>We would ask for more detail on the justification of the calculation details to set capital add-on, and the process for explaining the reasons for the capital add-on to the undertaking.</p> <p>Some terms need to be replaced.</p> <p>We would ask for the terms "relevant conclusion" and "relevant measure" to be replaced by "supervisory action and judgement".</p>		<p>Noted.</p> <p>CEIOPS disagrees. The point is to give undertakings the opportunity to present their views on the questions that matter for the supervisor in coming to a decision and thus maybe change the supervisor's mind.</p>

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1,030.	CRO Forum	3.259.	<p>A capital add-on should only be used as a last resort.</p> <p>We support the due process proposed, including the possibility to appeal a capital add-on decision, within a process similar to that applicable for other supervisory measures.</p> <p>We recommend that CEIOPS commits to playing a specified role as arbitrator in the appeal process where there is disagreement between undertakings and supervisors.</p>	<p>Agreed.</p> <p>Noted.</p> <p>CEIOPS cannot and will not be involved in any decision/ appeal.</p>	
1,031.	DIMA (Dublin International Insurance & Management	3.259.	A capital add-on should only be used as a last resort by supervisory authorities. In addition, undertakings should have the right to an appeal process if they consider that a capital add-on is inappropriate.	CEIOPS does not believe there needs to be an appeal process specifically for the setting of a capital add-on.	
1,032.	European Insurance CFO Forum	3.259.	<p>The term "relevant conclusion" in c) is not well defined.</p> <p>The use of the term "relevant conclusion" in this context is unclear and is very subjective. The CFO Forum recommends a clear definition is provided in the level 2 implementation measures.</p>	CEIOPS believes this term is sufficiently clear.	
1,033.	European Insurance CFO Forum	3.259.	<p>The term ""relevant conclusion"" in c) is not well defined.</p> <p>The use of the term ""relevant conclusion"" in this context is unclear and is very subjective. The CFO Forum recommends a clear definition is provided in the level 2 implementation measures.</p>	See comment 1032 above.	
1,034.	FFSA	3.259.	<p>FFSA fully supports the due process proposed, including the possibility to appeal a capital add-on decision, within a process similar to that applicable for other supervisory measures. The process should be clearly defined under Level 2 requirements and added to the definition of the due process</p> <p>FFSA recommends that CEIOPS commit itself in this procedure of appeal, playing a role in the case of disagreement between the undertakings and the supervisors. FFSA does not agree with art.5.3</p>	<p>CEIOPS believes the due process in 3.263 is sufficient and there needs to be no appeal process at Level 2 specifically for the setting of a capital add-on.</p> <p>Undertakings will not be able to appeal to CEIOPS following the the setting of a capital add-on by</p>	

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			<p>with CEIOPS I) leaving few years before the creation of a task force and ii) recommending this task force to not interfere directly with supervisory decisions about capital add-ons.</p> <p>More details are requested on the procedure regarding capital add-on instruction by the supervisor and the possible undertaking protest :</p> <ol style="list-style-type: none"> 1. Justification of the calculation's details to set capital add-on ; 2. Contradictory procedure between undertaking and supervisor in order to explain the legitimacy of the capital add-on and on its amount ; 3. In case of disagreement, arbitration procedure with involvement of a third party 	<p>its local supervisory authority.</p> <p>CEIOPS has committed to providing an explanation on the reasons for the add-on.</p>
1,035.	German Insurance Association – Gesamtverb and der D	3.259.	<p>More details are required on the reasons for capital add-ons.</p> <p>We would ask for more detail on the justification of the calculation details to set capital add-on, and the process for explaining the reasons for the capital add-on to the undertaking.</p> <p>Some terms need to be replaced.</p> <p>We would ask for the terms "relevant conclusion" and "relevant measure" to be replaced by "supervisory action and judgement".</p>	See comment 1029 above.
1,036.	GROUPAMA	3.259.	<p>We support the due process proposed, including the possibility to appeal a capital add-on decision, within a process similar to that applicable for other supervisory measures.</p> <p>We recommend that CEIOPS commit itself in this procedure of appeal, playing a role in the case of disagreement between the</p>	<p>Noted.</p> <p>See comment 1030 above.</p>

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			undertakings and the supervisors.		
1,037.	Lloyd's	3.259.	<p>The due process for setting capital add-ons should also include:</p> <p>(1) an appeals and arbitration process, particularly where there is serious disagreement between the undertaking and the supervisor; and</p> <p>(2) a detailed process for explaining the reasons for the capital add-ons to the undertaking.</p>	See comment 1034 above.	
1,038.	Munich RE	3.259.	<p>We would ask for more detail on the justification of the calculation details to set capital add-on, and the process for explaining the reasons for the capital add-on to the undertaking.</p> <p>We recommend that CEIOPS commits to playing a specified role as arbitrator in the appeal process where there is disagreement between undertakings and supervisors.</p>	<p>See comment 1029 above.</p> <p>CEIOPS cannot play such a role.</p>	
1,039.	European Insurance CFO Forum	3.260.	<p>The regulator's process for setting Capital Add-On needs to be more prescriptive.</p> <p>The proposals to quantify Capital Add-On and material deviation appear arbitrary. In order to facilitate harmonisation and minimise implementation difficulties, greater clarity is required.</p> <p>The CFO Forum recommends that a clear definition of the term "timely manner" is added to the level 2 implementation measures.</p> <p>There is a need for greater communication between all relevant stakeholders throughout the implementation process.</p> <p>There is a need for regular communication between companies, the regulator and CEIOPS to assess progress and identify potential</p>	<p>CEIOPS believes the level of prescription at Level 2 is appropriate.</p> <p>CEIOPS does not wish to define this at Level 2 as this depends on the individual circumstances.</p> <p>Noted.</p> <p>Noted.</p>	

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			<p>areas of non-compliance throughout the implementation of Solvency II.</p> <p>There is a need for communication between stakeholders throughout each level of the Lamfalussy process, especially level 4 during which transposition and harmonisation of Solvency II will be assessed.</p>	Noted.
1,040.	European Insurance CFO Forum	3.260.	<p>The regulator's process for setting Capital Add-On needs to be more prescriptive.</p> <p>The proposals to quantify Capital Add-On and material deviation appear arbitrary. In order to facilitate harmonisation and minimise implementation difficulties, greater clarity is required.</p> <p>The CFO Forum recommends that a clear definition of the term "timely manner" is added to the level 2 implementation measures.</p> <p>There is a need for greater communication between all relevant stakeholders throughout the implementation process.</p> <p>There is a need for regular communication between companies, the regulator and CEIOPS to assess progress and identify potential areas of non-compliance throughout the implementation of Solvency II.</p> <p>There is a need for communication between stakeholders throughout each level of the Lamfalussy process, especially level 4 during which transposition and harmonisation of Solvency II will be assessed.</p>	<p>See comment 1039 above.</p> <p>What is timely depends on the circumstances, so cannot be defined further.</p> <p>Noted.</p> <p>Noted.</p> <p>Noted.</p>
1,041.	Lloyd's	3.260.	'Timely manner' should be clarified unless this is to be specified at Level 3.	See comment 1059 above.
1,042.				

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1,043.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.265.	See comment on 3.266.		Noted
1,044.	CEA, ECO-SLV-09-452	3.265.	See our comment on 3.266.		Noted.
1,045.	German Insurance Association – Gesamtverband der D	3.265.	See our comment on 3.266.		Noted.
1,046.	Association of British Insurers	3.266.	<p>We support the general approach proposed with regard to the calculation of capital add-ons, identifying the causes of deviation on two levels:</p> <p><input type="checkbox"/> Underestimation of particular model component(s) (e.g. sub-risks or risk modules or lines of business depending on the structure of the model); and/or</p> <p><input type="checkbox"/> The aggregation mechanism (e.g. dependency structure parameters or assumptions).</p>		Noted.
1,047.					
1,048.					

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1,049.					
1,050.					Noted
1,051.	CEA, ECO-SLV- 09-452	3.266.	<p>We support the general approach proposed with regard to the calculation of capital add-on, namely identifying the causes of deviation on two axes :</p> <p><input type="checkbox"/> Underestimation of particular model component(s) (e.g. sub-risks or risk modules or lines of business depending on the structure of the model); and/or</p> <p><input type="checkbox"/> The aggregation mechanism (e.g. dependency structure parameters or assumptions).</p> <p>However, please also see our comments on quantifiable risks in 3.23.</p>		Noted.
1,052.	CRO Forum	3.266.	<p>We support the general approach proposed as regards calculation of capital add-on, namely identifying the causes of deviation on two axes :</p> <p>(1) Underestimation of particular model component(s) (e.g. sub-risks or risk modules or lines of business depending on the structure of the model); and/or</p> <p>(2) The aggregation mechanism (e.g. dependency structure parameters or assumptions).</p>		Noted.
1,053.	German Insurance Association – Gesamtverb	3.266.	<p>We support the general approach proposed with regard to the calculation of capital add-on, namely identifying the causes of deviation on two axes :</p>		Noted.

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	and der D		<input type="checkbox"/> Underestimation of particular model component(s) (e.g. sub-risks or risk modules or lines of business depending on the structure of the model); and/or <input type="checkbox"/> The aggregation mechanism (e.g. dependency structure parameters or assumptions). However, please also see our comments on quantifiable risks in 3.23.	
1,054.	GROUPAMA	3.266.	We support the general approach proposed as regards calculation of capital add-on, namely identifying the causes of deviation on two axes : i/ Underestimation of particular model component(s) (e.g. sub-risks or risk modules or lines of business depending on the structure of the model); and/or ii/ ii/ The aggregation mechanism (e.g. dependency structure parameters or assumptions).	Noted.
1,055.	Munich RE	3.266.	We support the general approach proposed as regards calculation of capital add-on, namely identifying the causes of deviation on two axes : <input type="checkbox"/> Underestimation of particular model component(s) (e.g. sub-risks or risk modules or lines of business depending on the structure of the model); and/or <input type="checkbox"/> The aggregation mechanism (e.g. dependency structure parameters or assumptions).	Noted.

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1,056.				Noted
1,057.	CRO Forum	3.269.	<p>In the event that new parameters that clearly better reflect the risk profile of the undertaking are available, the undertaking should be encouraged to simply update the SCR using these new parameters rather than establishing a separate capital add-on by re-running the model on these new parameters. Companies should work with the supervisor to agree on what would be appropriate new parameters.</p> <p>It should be noted that the finding of new parameters that best reflect the risk profile should be the responsibility of undertakings.</p> <p>However, Level 2 advice should also specify what should be done if the undertaking does not have available data to produce parameters or correlation factors that better reflect their profile.</p>	See comment 685 above.
1,058.	DIMA (Dublin International Insurance & Management	3.269.	<p>In the event that new parameters that clearly better reflect the risk profile of the undertaking are available, the undertaking should be encouraged to simply update the SCR using these new parameters rather than establishing a separate capital add on.</p> <p>"New parameters that best reflect the risk profile of the undertaking" is a subjective view open to different interpretations - view of the undertaking or view of the supervisory authority?</p> <p>Level 2 advice should specify what should be done if the undertaking does not have available data to produce parameters or correlation factors that better reflect their profile.</p>	See comment 685 above.
1,059.	European Union member firms of Deloitte	3.269.	We believe that preliminary action in identifying when an underlying risk falls beyond the set of defined standard parameters might reduce the need for capital add-ons. Risk mitigation actions can be taken to ensure that the retained risk elements fall within the parameters that are already in place. This might result to	Noted.

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	Touche To		capital add-ons being definitely a measure of last resort.		
1,060.	GROUPAMA	3.269.	It should be noted that the finding of new parameters that best reflect the risk profile should be under the responsibility of undertakings	Noted.	
1,061.	Munich RE	3.269.	In the event that new parameters that clearly better reflect the risk profile of the undertaking are available, the undertaking should be encouraged to simply update the SCR using these new parameters rather than establishing a separate capital add-on by re-running the model on these new parameters.	See comment 685 above.	
1,062.	CRO Forum	3.271.	Will supervisors provide distinct and targeted advice on the different design approaches to test as part of this objective? If no, then how will firms ensure they do not turn down blind alleys and expend vital resources developing solutions that are subsequently rejected?	The process will be based in a dialogue between the supervisor and undertakings.	
1,063.	European Insurance CFO Forum	3.271.	<p>If an alternative design is found which better fits the undertaking's risk profile, this should be treated as a new partial internal model with the capital requirement becoming the result of the new model. There would then be no requirement to hold a Capital Add-On</p> <p>In cases of underestimation, the CP requires an undertaking to develop alternative designs to better fit its risk profile. If such a design is found and agreed with the supervisor, this should be treated as a new partial internal model with the capital requirement becoming the result of the new capital model. There would therefore be no requirement to hold a Capital Add-On as the capital requirement would be the same in each case.</p>	<p>Noted.</p> <p>CEIOPS notes that a partial internal model is a much broader concept than just the recognition of a mathematical design.</p>	
1,064.	European Insurance CFO Forum	3.271.	<p>If an alternative design is found which better fits the undertaking's risk profile, this should be treated as a new partial internal model with the capital requirement becoming the result of the new model. There would then be no requirement to hold a Capital Add-On</p> <p>In cases of underestimation, the CP requires an undertaking to</p>	See comment 1063 above.	

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			develop alternative designs to better fit its risk profile. If such a design is found and agreed with the supervisor, this should be treated as a new partial internal model with the capital requirement becoming the result of the new capital model. There would therefore be no requirement to hold a Capital Add-On as the capital requirement would be the same in each case.	
1,065.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.272.	Where the risk profile has changed and the internal model has been recalibrated, this does not require a capital add-on but instead a new SCR.	Noted
1,066.	Association of British Insurers	3.272.	CEIOPS proposes (3.271) that supervisors can ask the undertakings to look for alternative design approaches that better fit the specificities of their risk profile. We would clarify that where the risk profile has changed and the model has been recalibrated, this does not require a capital add-on but instead a new SCR.	See comment 1063 above.
1,067.				
1,068.				
1,069.				
1,070.				Noted
1,071.	CEA, ECO-SLV-09-452	3.272.	Ceioms proposes (3.271) that supervisors can ask the undertakings to look for alternative design approaches that better fit the specificities of their risk profile. Where the risk profile has changed and the internal model has been	See comment 1063 above.

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			recalibrated, this does not require a capital add-on but instead a new SCR.	
1,072.	CRO Forum	3.272.	<p>Similarly to 3.269, where an alternative design is found that clearly better fits the specificities of the risk profile of the undertaking, the undertaking should be encouraged to simply re-calculate the SCR using this alternative design rather than establishing a separate capital add-on by re-running the model using this new design. Companies should work with the supervisor to agree on what would be an appropriate new design.</p> <p>In order to ensure consistency across Europe, there should be additional advice that specifies a harmonised criteria and application of the comparative analysis.</p>	<p>Noted.</p> <p>The standard formula does not allow the change of a design of a sub-risk/risk module as such.</p>
1,073.	DIMA (Dublin International Insurance & Management	3.272.	Similarly, where an alternative design is found that clearly better fits the specificities of risk profile of the undertaking, the undertaking should be encouraged to simply recalculate the SCR using this alternative design rather establishing a separate capital add-on.	See comment 1072 above.
1,074.	German Insurance Association – Gesamtverb and der D	3.272.	<p>CEIOPS proposes (3.271) that supervisors can ask the undertakings to look for alternative design approaches that better fit the specificities of their risk profile.</p> <p>Where the risk profile has changed and the internal model has been recalibrated, this does not require a capital add-on but instead a new SCR.</p>	See comment 1063 above.
1,075.	Lloyd's	3.272.	Where an alternative design is found for particular sub-risks or risk modules which is agreed by the supervisor, then it follows that an agreed partial internal model has been designed which fits the risk profile of the undertaking. In this case the SCR is updated	See comment 1063 above.

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			accordingly as a result of the new calculation and there is no need for a capital add-on.		
1,076.	Munich RE	3.272.	Similarly to 3.269. If such alternative design approaches are found and agreed by the supervisor, it can be considered that a partial internal model has been designed that fits the risk profile of the undertaking. Therefore the capital requirement becomes the result of this model. This leads to the same level of capital, but there is no more need for an add-on. It is just the new result of the calculation.	See comment 1063 above.	
1,077.	Pearl Group Life	3.272.	CEIOPS proposes (3.271) that supervisors can ask the undertakings to look for alternative design approaches that better fit the specificities of their risk profile. We would clarify that where the risk profile has changed and the model has been recalibrated, this does not require a capital add-on but instead a new SCR.	See comment 1063 above.	
1,078.				Noted	
1,079.	CEA, ECO-SLV-09-452	3.273.	See our comments on 3.187, point a, and 3.289.	Noted.	
1,080.	CRO Forum	3.273.	It is difficult to see how a supervisor could have sufficient evidence that a significant deviation is caused by inadequate design assumptions of the standard model but yet not be able to propose an alternative design. The setting of a capital add-on using such crude measures as comparative analysis should be avoided as far as possible. This point is too vague and requires fuller commentary. Where a supervisor sets capital add-ons using its own "crude" comparative analysis, measures and limits need to be put in place and	CEIOPS believes that this can happen and comparative analysis will only be used when appropriate. If the undertaking can provide for a more precise calculation that will obviously be taken into consideration.	

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			<p>communicated to ensure orderly, objective and consistent treatment across member states.</p> <p>In principle, the CRO Forum does not support CEIOPS allowing capital add-on to be set based on the use of comparative analysis. Comparing one entity to another is judgmental and this option would lead to discretionary decisions.</p> <p>We believe that using data from other undertakings whose risk profile is deemed comparable will often lead to incorrect assessment of the deviation. Indeed life and mostly non life insurance risk profile are deeply related to the insurance product designed by the undertaking, the subscription rules, the reinsurance strategy and it seems difficult to use other undertaking data to calculate the capital add on.</p>
1,081.	DIMA (Dublin International Insurance & Management	3.273.	<p>It is difficult to see how a supervisor could have sufficient evidence that a significant deviation is caused by inadequate design assumptions of the standard formula but yet not be able to propose an alternative design. The setting of a capital add-on using such crude measures as comparative analysis should be avoided as far as possible.</p> <p>If a comparative analysis is used, in order to ensure consistency, there should be additional advice that specifies a harmonised criteria and application of the comparative analysis.</p>
1,082.	European Insurance CFO Forum	3.273.	<p>Using a ""crude"" basis to calculate the Capital Add-On will result in a measure without sufficient depth and which is difficult to compare across peers.</p> <p>The calculation of the Capital Add-On should have sufficient complexity to be a meaningful valuation of the perceived risk. Public rather than confidential information should be used so that a comparison of the results can be made of across peers.</p> <p>The methodology and assumptions used calculate the Capital Add-</p>

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			On should be subject to independent review and recommendations to verify consistency with guidance and facilitate harmonisation.	practices and these will be used.	
1,083.	European Insurance CFO Forum	3.273.	<p>Using a "crude" basis to calculate the Capital Add-On will result in a measure without sufficient depth and which is difficult to compare across peers.</p> <p>The calculation of the Capital Add-On should have sufficient complexity to be a meaningful valuation of the perceived risk. Public rather than confidential information should be used so that a comparison of the results can be made of across peers.</p> <p>The methodology and assumptions used calculate the Capital Add-On should be subject to independent review and recommendations to verify consistency with guidance and facilitate harmonisation.</p>	See comment 1082 above.	
1,084.	European Union member firms of Deloitte Touche To	3.273.	The setting of the capital add-on on a 'crude' basis through comparative analysis will require subjective input from professionals. It might be useful in setting a framework of how such comparative analysis will be performed.	See comment 1082 above.	
1,085.	FFSA	3.273.	<p>FFSA does not support CEIOPS allowing capital add-on to be set based on the use of comparative analysis. Comparing one entity to another is judgmental and this option would lead to discretionary decisions.</p> <p>FFSA suggests that such analysis should have sufficient depth to be meaningful, i.e. having comparative figures from one peer undertaking is certainly insufficient to derive a general law. FFSA also suggests that the analysis should not use confidential information that could not be shared with the undertaking. Otherwise the communication process would be broken and there no longer will be any room for the undertaking to counter-argue.</p>	See comment 1082 above.	

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			Indeed, comparing oneself with peers is always difficult to interpret as the public information is usually aggregated. Risk profiles are usually different and differences could only be spotted on the detailed level... details which are usually not made available to public.	
1,086.	German Insurance Association – Gesamtverb and der D	3.273.	See our comments on 3.187, point a, and 3.289.	Noted.
1,087.	GROUPAMA	3.273.	<p>GROUPAMA does not support CEIOPS allowing capital add-on to be set based on the use of comparative analysis. Comparing one entity to another is judgmental and this option would lead to discretionary decisions.</p> <p>We believe that using data from other undertakings whose risk profile is deemed comparable will often lead to incorrect assessment of the deviation. Indeed life and mostly non life insurance risk profile are deeply related to the insurance product designed by the undertaking, the subscription rules, the reinsurance strategy and it seems difficult to use other undertaking data to calculate the capital add on.</p>	See comment 1082 above.
1,088.	Munich RE	3.273.	See our comments on 3.172.	Noted.
1,089.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURAN	3.274.	The standard formula is an approximation designed to fit a very wide range of undertakings, the calibration is more prudent. The standard formula might therefore overestimate the amount of capital required in some cases; this would compensate for the fact that all risks may not be covered.	Noted

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	CES DU				
1,090.	Association of British Insurers	3.274.	<p>In our view the standard formula covers the majority of measurable risks.</p> <p>If there are risks which are not covered or are not covered adequately or are emerging, then an undertaking should explain what these are, through the ORSA in particular. Should CEIOPS think that there is a major risk category that is not covered in the SCR calculation, this should be addressed in QIS5 and we would be keen to work with CEIOPS on this in advance of QIS5.</p>	<p>Agreed.</p> <p>See comment 28 above.</p> <p>What about if this happens after QIS5?</p>	
1,091.					
1,092.					
1,093.					
1,094.			Confidential comment deleted		
1,095.	CEA, ECO-SLV-09-452	3.274.	<p>In our view the standard formula covers the majority of measurable risks.</p> <p>If there are risks which are not covered or are not covered adequately, then an undertaking should explain what these are, through the ORSA in particular. Should Ceiops think that there is a major risk category that is not covered in the SCR calculation, this should be addressed in QIS5 and we would be keen to work with Ceiops on this in advance of QIS5.</p> <p>In addition, we would like to stress that the standard formula is an approximation designed to fit a very wide range of undertakings, the calibration is more prudent. The standard formula might therefore overestimate the amount of capital required in some cases; this would compensate for the fact that all risks may not be covered.</p>	<p>See comment 1090 above.</p> <p>Agreed but not if there is a significant deviation.</p>	

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			<p>We would also refer to Article 106 (1): ,The capital requirement for operational risk shall reflect operational risks to the extent they are not already reflected in the risk modules referred to in Article 104. That requirement shall be calibrated in accordance with Article 101(3).’ Thus the operational risk category might close any potential gap of quantifiable risks that is not sufficiently captured by the standard formula due to the required calibration of operational risks. Therefore further discussions which doubt the hypothesis that the standard formula captures all necessary quantifiable risks should rather be discussed in the context of calibration of operational risks.</p>	<p>The capital requirement for operational risks only covers operational risks –if only insofar as they are not already reflected in other risk modules. It does not catch other risks.</p>	
1,096.	CRO Forum	3.274.	<p>If material risks are identified which are not covered by the SCR calculation, the undertaking should be encouraged to quantify these risks and re-calculate the SCR rather than establishing a separate capital add-on.</p>	<p>There can be two different situations of recalculation of the SCR: use of entity specific parameters as allowed by the Level 1 text and use of partial/full internal model. Besides these situations an increase in the SCR is a capital add-on.</p>	
1,097.	DIMA (Dublin International Insurance & Management	3.274.	<p>If material risks are identified which are not covered by the SCR calculation, the undertaking should be encouraged to quantify these risks and recalculate the SCR rather than establishing a separate capital add-on.</p>	<p>See comment 1096 above.</p>	
1,098.	European Insurance	3.274.	<p>The process by which the supervisory authority will identify material risk not covered by the standard formula is not clear.</p>	<p>This will be part of the SRP to be developed at Level 3.</p>	

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	CFO Forum		<p>It is not clear how the supervisory authority will perform its risk assessment of the undertaking. For example, will this be performed in conjunction with the undertaking? Also, clarification is required as to how the supervisory authority will ensure the assessment is superior to one carried out by the undertaking itself.</p> <p>Comments in 3.273 are also relevant here.</p>	
1,099.	European Insurance CFO Forum	3.274.	<p>The process by which the supervisory authority will identify material risk not covered by the standard formula is not clear.</p> <p>It is not clear how the supervisory authority will perform its risk assessment of the undertaking. For example, will this be performed in conjunction with the undertaking? Also, clarification is required as to how the supervisory authority will ensure the assessment is superior to one carried out by the undertaking itself.</p> <p>Comments in 3.273 are also relevant here.</p>	See comment 1098 above.
1,100.	German Insurance Association – Gesamtverb and der D	3.274.	<p>In our view the standard formula covers the majority of measurable risks.</p> <p>If there are risks which are not covered or are not covered adequately, then an undertaking should explain what these are, through the ORSA in particular. Should CEIOPS think that there is a major risk category that is not covered in the SCR calculation, this should be addressed in QIS5 and we would be keen to work with CEIOPS on this in advance of QIS5.</p> <p>In addition, we would like to stress that the standard formula is an approximation designed to fit a very wide range of undertakings, the calibration is more prudent. The standard formula might therefore overestimate the amount of capital required in some cases; this would compensate for the fact that all risks may not be covered.</p>	See comments 1090 and 1095 above.

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			We would also refer to Article 106 (1): 'The capital requirement for operational risk shall reflect operational risks to the extent they are not already reflected in the risk modules referred to in Article 104. That requirement shall be calibrated in accordance with Article 101(3).' Thus the operational risk category might close any potential gap of quantifiable risks that is not sufficiently captured by the standard formula due to the required calibration of operational risks. Therefore further discussions which doubt the hypothesis that the standard formula captures all necessary quantifiable risks should rather be discussed in the context of calibration of operational risks.	
1,101.	Lloyd's	3.274.	The standard formula should cover all material risks to which an undertaking may be exposed. CEIOPS should provide details of any material risks which it believes are not covered by the standard formula.	CEIOPS will not provide a list of quantifiable risks not covered by the standard formula. See also comment 1090 above.
1,102.	Munich RE	3.274.	If material risks are identified which are not covered by the SCR calculation, the undertaking should be encouraged to quantify these risks and re-calculate the SCR rather than establishing a separate capital add-on.	See comment 1101 above.
1,103.	Pearl Group Life	3.274.	In our view the standard formula covers the majority of measurable risks. If there are risks which are not covered or are not covered adequately, then an undertaking should explain what these are, through the ORSA in particular.	See comments 1090 and 1101 above.
1,104.	Milliman	3.276.	The aggregation of new identified risks with the other risks already covered by the standard formula needs clarification. This type of analysis requires extensive actuarial skills and is very time consuming.	See previous comment 1090 above.

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			Who would be in charge of carrying out / reviewing these analyses?	
1,105.	CRO Forum	3.277.	Considering that that calibrating a correlation matrix is a very tough task, we believe that identifying deviations caused by aggregation factors will be very difficult	Agreed.
1,106.	GROUPAMA	3.277.	Having in mind the that calibrating correlation matrix is a very tough task, we believe that identifying deviations caused by aggregation factors will be very difficult	Agreed.
1,107.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.278.	See comments on 3.272.	
1,108.			Confidential comment deleted	Noted
1,109.	CEA, ECO-SLV-09-452	3.278.	See our comments on 3.272.	Noted.
1,110.	CRO Forum	3.278.	<p>The use of empirical and statistical studies to calculate correlation factors is only easily possible for financial – i.e. market and credit risks, where plentiful data is available. Please explain how this process can be achieved for non-financial risks or for correlation factors between financial and non-financial risks?</p> <p>How will supervisors ensure that correlation factors based on scanty data are appropriate for 99.5% events? Is any advice on statistical methodology going to be provided?</p>	See comment 724 above.
1,111.	European Insurance	3.278.	Comments in 3.271 are also relevant here.	Noted.

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	CFO Forum				
1,112.	European Insurance CFO Forum	3.278.	Comments in 3.271 are also relevant here.		Noted.
1,113.	German Insurance Association – Gesamtverb and der D	3.278.	See our comments on 3.272.		Noted.
1,114.	Milliman	3.278.	The estimation of new correlation factors that best reflects the risk profile of an undertaking seems a difficult practical issue. This type of analysis indeed requires extensive actuarial skills, enough data, and is very time consuming. The CP would need to be clarified on this issue.		See comment 724 above.
1,115.	Aviva	3.279.	If a new correlation factor clearly better reflects the risk profile of the undertaking, the undertaking should be encouraged to recalculate the SCR using this correlation factor rather than establishing a separate capital add-on by re-running the model on these new correlation factors. Companies should work with the supervisor to agree on what would be appropriate new correlation factors.		Noted
1,116.	CRO Forum	3.279.	If a new correlation factor clearly better reflects the risk profile of the undertaking, the undertaking should be encouraged to recalculate the SCR using this correlation factor rather than establishing a separate capital add-on by re-running the model on these new correlation factors. Companies should work with the supervisor to agree on what would be appropriate new correlation factors. It should be noted that the finding of new correlation factors that		The recalculation with new correlation factors is a capital add-on. See comment 685 above.

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			best reflect the risk profile should be the responsibility of undertakings		
1,117.	DIMA (Dublin International Insurance & Management	3.279.	If a new correlation factor clearly better reflects the risk profile of the undertaking, the undertaking should be encouraged to recalculate the SCR using this correlation factor rather than establishing a separate capital add-on.	See comment 1116 above.	
1,118.	GROUPAMA	3.279.	It should be noted that the finding of new correlation factors that best reflect the risk profile should be under the responsibility of undertakings	Noted.	
1,119.	ACA – ASSOCIATIO N DES COMPAGNIE S D'ASSURAN CES DU	3.281.	See comment to 3.289.	Noted	
1,120.			Confidential comment deleted	Noted	
1,121.	CEA, ECO-SLV- 09-452	3.281.	See comment to 3.289.	Noted.	
1,122.	CRO Forum	3.281.	Same as 3.273 The supervisory authority should be required to have very strong evidence of inadequacy in the linear correlation assumptions before requiring any capital add-on. An SCR that is lower than those of undertakings that the supervisory authority considers comparable should not by itself be sufficient proof of the need for a capital add-on as there may be valid reasons for such a difference in the SCR calculation. The undertaking should be given every opportunity to	Agree. See also comment 693 above.	

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			justify the linear correlation assumptions that it is using. In order to ensure consistency across Europe, there should be additional advice that specifies a harmonised criteria and application of the comparative analysis.
1,123.	DIMA (Dublin International Insurance & Management	3.281.	The supervisory authority should be required to have very strong evidence of inadequacy in the linear correlation assumptions before requiring any capital add-on. An SCR that is lower than those of undertakings that the supervisory authority considers comparable should not by itself be sufficient proof of the requirement for a capital add-on as there may be valid reasons for such a difference in the SCR calculation. The undertaking should be given every opportunity to justify the linear correlation assumptions that it is using. If a comparative analysis is used, in order to ensure consistency, there should be additional advice that specifies a harmonised criteria and application of the comparative analysis.
1,124.	European Insurance CFO Forum	3.281.	Comments in 3.273 are also relevant here.
1,125.	European Insurance CFO Forum	3.281.	Comments in 3.273 are also relevant here.
1,126.	FFSA	3.281.	In cases of deviations caused by the aggregation mechanism, FFSA does not support CEIOPS allowing capital add-on to be set based on the use of comparative analysis. Comparing one entity to another is judgmental and this option would lead to discretionary decisions. FFSA suggests that such analysis should have sufficient depth to be meaningful, i.e. having comparative figures from one peer undertaking is certainly insufficient to derive a general law. FFSA also suggests that the analysis should not use confidential

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			information that could not be shared with the undertaking. Otherwise the communication process would be broken and there no longer will be any room for the undertaking to counter-argue. Indeed, comparing oneself with peers is always difficult to interpret as the public information is usually aggregated. Risk profiles are usually different and differences could only be spotted on the detailed level... details which are usually not made available to public.	
1,127.	German Insurance Association – Gesamtverb and der D	3.281.	See comment to 3.289.	Noted.
1,128.	GROUPAMA	3.281.	Same as 3.273	Noted.
1,129.	Milliman	3.281.	The suggestion of using a more 'crude' approach based on comparative analyses with similar undertakings needs to be clarified.	CEIOPS believes it is clear. See comment 693 above.
1,130.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.282.	<p>The process for the supervisor to assess the potential risk profile deviation in case of using an internal model is included in the general approval process of internal model and should not be a source of capital add-on.</p> <p>As a result, the CEA does not see the rationale for a supervisor to impose a capital add-on for risk deviation once an undertaking is using an "approved" internal model. Accordingly, CEA suggests specifying that, after an internal model has received approval, a capital add-on can only be considered if there are material changes in the risk profile of the undertaking or in the general macro-economic environment that the approved internal model fails to capture adequately (i.e. a module of an internal model that has been approved should not be subject to a capital add-on unless the</p>	

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			supervisor can demonstrate that there are new elements that indisputably make this module no longer valid). In such case, the undertaking and the supervisor should firstly discuss how the internal model can be adapted to capture this change. We refer to approval process for internal models. A capital add-on should be a last resort measure.
1,131.	CEA, ECO-SLV- 09-452	3.282.	<p>"When the supervisory authority finds evidence that the risk profile of an undertaking deviates significantly from the assumptions underlying..." "...it needs to identify objectively what assumptions are being challenged". We would ask for the words in bold to be developed further or clarified.</p> <p>The process for the supervisor to assess the potential risk profile deviation in case of using an internal model is included in the general approval process of internal model and should not be a source of capital add-on.</p> <p>As a result, the CEA does not see the rationale for a supervisor to impose a capital add-on for risk deviation once an undertaking is using an "approved" internal model. Accordingly, CEA suggests specifying that, after an internal model has received approval, a capital add-on can only be considered if there are material changes in the risk profile of the undertaking or in the general macro-economic environment that the approved internal model fails to capture adequately (i.e. a module of an internal model that has been approved should not be subject to a capital add-on unless the supervisor can demonstrate that there are new elements that indisputably make this module no longer valid). In such case, the undertaking and the supervisor should firstly discuss how the internal model can be adapted to capture this change. We refer to approval process for internal models. A capital add-on should be a last resort measure and could then only be envisaged if the</p>

This is true in the moment of approval, not on an on-going basis.

See comment 9 above.

This is not in line with the Level 1 text.

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			undertaking and the supervisor fail to agree on an appropriate change to the internal model.		
1,132.	European Insurance CFO Forum	3.282.	<p>The evidence used to assess significant deviations in the risk profile of the undertaking from the assumptions used in the SCR and the process for objectively identifying the assumptions being challenged is not well defined.</p> <p>It is not clear what evidence the supervisory authority will consider when deciding if the risk profile of a company deviates from the assumptions underlying the SCR. The process for identifying objectively what assumptions are being challenged is not well defined and we recommend that more clarity is provided around the evidence required.</p> <p>The principles governing the determination of thresholds of significant deviation for a solo entity should be formally agreed as part of the group internal model approval process and should not automatically lead to Capital Add-Ons.</p> <p>As part of the group internal model approval process, the principles governing the determination of thresholds for significant deviations in risk profile for solo entities should be agreed. Any significant deviations in practice should be compared to these thresholds as a first step rather than automatically leading to Capital Add-Ons.</p>	<p>The process is defined but not the tools. The tools (techniques) to be used will depend of the particular situation, i.e. from the data available, the risk at stake, etc.</p> <p>Nothing leads to automatic capital add-ons. To impose a capital add-on the supervisor should go through a due process as described in the Advice.</p>	
1,133.	European Insurance CFO Forum	3.282.	<p>The evidence used to assess significant deviations in the risk profile of the undertaking from the assumptions used in the SCR and the process for objectively identifying the assumptions being challenged is not well defined.</p> <p>It is not clear what evidence the supervisory authority will consider when deciding if the risk profile of a company deviates from the</p>	See comment 3282 above.	

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			<p>assumptions underlying the SCR. The process for identifying objectively what assumptions are being challenged is not well defined and we recommend that more clarity is provided around the evidence required.</p> <p>The principles governing the determination of thresholds of significant deviation for a solo entity should be formally agreed as part of the group internal model approval process and should not automatically lead to Capital Add-Ons.</p> <p>As part of the group internal model approval process, the principles governing the determination of thresholds for significant deviations in risk profile for solo entities should be agreed. Any significant deviations in practice should be compared to these thresholds as a first step rather than automatically leading to Capital Add-Ons.</p>	
1,134.	FFSA	3.282.	<p>FFSA would support the opinion that the process for the supervisor to assess the potential risk profile deviation in case of using an internal model is included in the general approval process of internal model and should not be a source of capital add-on. As a result, FFSA does not see the rationale for a supervisor to impose any capital add-on for risk deviation once using an "approved" internal model.</p>	<p>Noted.</p> <p>On an on-going basis a situation may occur where a capital add-on may be needed.</p>
1,135.	German Insurance Association – Gesamtverb and der D	3.282.	<p>"When the supervisory authority finds evidence that the risk profile of an undertaking deviates significantly from the assumptions underlying..." "...it needs to identify objectively what assumptions are being challenged". We would ask for the words in bold to be developed further or clarified.</p> <p>The process for the supervisor to assess the potential risk profile deviation in case of using an internal model is included in the general approval process of internal model and should not be a</p>	<p>See commen 3.282 above.</p> <p>See comment 9 above.</p>

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			<p>source of capital add-on.</p> <p>As a result, the GDV does not see the rationale for a supervisor to impose a capital add-on for risk deviation once an undertaking is using an "approved" internal model. Accordingly, GDV suggests specifying that, after an internal model has received approval, a capital add-on can only be considered if there are material changes in the risk profile of the undertaking or in the general macro-economic environment that the approved internal model fails to capture adequately (i.e. a module of an internal model that has been approved should not be subject to a capital add-on unless the supervisor can demonstrate that there are new elements that indisputably make this module no longer valid). In such case, the undertaking and the supervisor should firstly discuss how the internal model can be adapted to capture this change. We refer to approval process for internal models. A capital add-on should be a last resort measure and could then only be envisaged if the undertaking and the supervisor fail to agree on an appropriate change to the internal model.</p>	See comment 1131 above.
1,136.	CEA, ECO-SLV-09-452	3.283.	See our comments on 3.266.	Noted.
1,137.	European Insurance CFO Forum	3.283.	Given our second comment in 3.282, there is no need to specify the cases set out here and described in 3.284 to 3.295.	Noted.
1,138.	European Insurance CFO Forum	3.283.	Given our second comment in 3.282, there is no need to specify the cases set out here and described in 3.284 to 3.295.	Noted.
1,139.	German Insurance Association	3.283.	See our comments on 3.266.	Noted.

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	- Gesamtverb and der D				
1,140.	Munich RE	3.283.	See our comments on 3.266.		Noted.
1,141.	European Insurance CFO Forum	3.284.	Comments in 3.274 and 3.283 are also relevant here.		Flexibility is needed and impossible to predict all circumstances especially on internal models. Please refer to paragraph 3.222.
1,142.	European Insurance CFO Forum	3.284.	Comments in 3.274 and 3.283 are also relevant here.		See comment 1141 above.
1,143.	European Insurance CFO Forum	3.285.	Comments in 3.283 are also relevant here.		See comment 1141 above.
1,144.	European Insurance CFO Forum	3.285.	Comments in 3.283 are also relevant here.		See comment 1141 above.
1,145.	European Union member firms of Deloitte Touche To	3.285.	We believe that clarity should be provided to when the assessment of an inappropriate internal model is due to an inappropriate calibration of parameters or due to an inappropriate design. The cost implications of the extensive assessment should be weighed against the benefits. Once again it should be emphasised that a capital add-on is a measure of last resort and primarily aims to protect policyholders. Unnecessary costs might filter through to policyholders.		See comment 1141 above.
1,146.	Association of British Insurers	3.286.	We support the idea that the calculation of the capital add-on is based on a "rerun" of the internal model using new parameters that best reflect the risk profile of the undertaking.		Noted. Noted. Please refer to paragraph

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			<p>However, it should be noted that the research for alternative design approaches is under the responsibility of undertakings.</p> <p>We also support the concept of a capital buffer as an alternative solution if internal model does not perfectly reflect the risk profile as proposed in the CP on internal model (CP 37) during the first wave of advice.</p> <p>By definition, capital add-ons should not be applied for approved internal models as some capital buffer could have already been set-up through the approval process. This capital add-on or the capital buffer should not punish the company for implementing an internal model. This should be set-up based on discussion and agreement between the undertaking and its supervisor.</p>	<p>3.289.</p> <p>Noted. The concept was given up as not being fully consistent with the Level 1 text.</p> <p>See comment 9 above.</p>
1,147.				
1,148.				
1,149.				
1,150.			Confidential comment deleted	Noted
1,151.	CEA, ECO-SLV-	3.286.	We do not understand why the undertaking would not recalibrate the internal model and why there should be a capital add-on based on the rerun of the internal model using the new parameters that	A risk profile capital add-on may be set if the internal model is not adapted as necessary within an

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	09-452		best reflect the undertaking's risk profile. It seems more sensible that the internal model is recalibrated to better reflect the undertaking's risk profile.	appropriate timeframe. The undertaking would still have to adapt the model. But before the model is adapted any changes to parameters for the purpose of deriving the SCR leads to a capital add-on as the parameters used are not the model parameters.	
1,152.	CRO Forum	3.286.	<p>In the event that new parameters that clearly better reflect the risk profile of the undertaking are available, the undertaking should be encouraged to simply rerun the internal model and update the SCR using these new parameters rather than establishing a separate capital add-on by re-running the model on these new parameters. Companies should work with the supervisor to agree on what would be appropriate new parameters.</p> <p>It should be noted that the finding of new correlation factors that best reflect the risk profile should be the responsibility of undertakings</p>	See comment 1151 above.	
1,153.	DIMA (Dublin International Insurance & Management	3.286.	<p>In the event that new parameters that clearly better reflect the risk profile of the undertaking are available, the undertaking should be encouraged to simply rerun the internal model and calculate the SCR using these new parameters rather establishing a separate capital add-on.</p> <p>"New parameters that best reflect the risk profile of the undertaking" is a subjective view open to different interpretations – view of the undertaking or view of the supervisory authority?</p>	<p>See comment 1151 above.</p> <p>Please refer to paragraph 3.289. The setting of a capital add-on implies a dialogue between undertakings and supervisory authorities</p>	
1,154.	European	3.286.	Comments in 3.283 are also relevant here.	See comment 1141 above.	

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	Insurance CFO Forum				
1,155.	European Insurance CFO Forum	3.286.	Comments in 3.283 are also relevant here.		See comment 1141 above.
1,156.	German Insurance Association – Gesamtverb and der D	3.286.	We do not understand why the undertaking would not recalibrate the internal model and why there should be a capital add-on based on the rerun of the internal model using the new parameters that best reflect the undertaking's risk profile. It seems more sensible that the internal model is recalibrated to better reflect the undertaking's risk profile.		See comment 1151 above.
1,157.	GROUPAMA	3.286.	It should be noted that the finding of new parameters that best reflect the risk profile should be under the responsibility of undertakings		Noted. Please refer to paragraph 3.289.
1,158.	Munich RE	3.286.	In the event that new parameters that clearly better reflect the risk profile of the undertaking are available, the undertaking should be encouraged to simply rerun the internal model and update the SCR using these new parameters rather than establishing a separate capital add-on by re-running the model on these new parameters.		See comment 1151 above.
1,159.	Pearl Group Life	3.286.	<p>We support the idea that the calculation of the capital add-on is based on a "rerun" of the internal model using new parameters that best reflect the risk profile of the undertaking.</p> <p>However, it should be noted that the research for alternative design approaches is under the responsibility of undertakings.</p> <p>We also support the concept of a capital buffer as an alternative solution if internal model does not perfectly reflect the risk profile as proposed in the CP on internal model (CP 37) during the first wave of advice.</p>		<p>Noted.</p> <p>Noted. Please refer to paragraph 3.289.</p> <p>Noted.</p>

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			By definition, capital add-ons should not be applied for approved internal models as some capital buffer could have already been set-up through the approbation process. This capital add-on or the capital buffer should not punish the company for implementing an internal model. This should be set-up based on discussion and agreement between the undertaking and its supervisor.	See comment 1146 above.	
1,160.					
1,161.	CRO Forum	3.287.	<p>In the event that an alternative design that clearly better reflects the risk profile of the undertaking is available, the undertaking should be encouraged to simply rerun the internal model and update the SCR using this new design rather than establishing a separate capital add-on by re-running the model on this new design. Companies should work with the supervisor to agree on what would be an appropriate new design.</p> <p>What advice will supervisors give on the range of design approaches that are available and the cost / benefits of each approach? Where a range of approaches are possible, appropriate mechanisms will need to be implemented to ensure results from each can be appropriately benchmarked / compared. What further information can we expect?</p>	<p>See comment 1151 above.</p> <p>A supervisor is not a consultant. Undertakings can expect implementation guidance for approvable models but not advice on how to design the model.</p>	
1,162.	DIMA (Dublin International Insurance & Management	3.287.	In the event that an alternative design that clearly better reflects the risk profile of the undertaking is available, the undertaking should be encouraged to simply rerun the internal model and calculate the SCR using this new design rather establishing a separate capital add-on.	See comment 1151 above.	
1,163.	European Insurance CFO Forum	3.287.	Comments in 3.283 are also relevant here.	See comment 1141 above.	
1,164.	European	3.287.	Comments in 3.283 are also relevant here.	See comment 1141 above.	

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	Insurance CFO Forum				
1,165.	European Insurance CFO Forum	3.288.	Comments in 3.283 are also relevant here.		See comment 1141 above.
1,166.	European Insurance CFO Forum	3.288.	Comments in 3.283 are also relevant here.		See comment 1141 above.
1,167.	ACA – ASSOCIATIO N DES COMPAGNIE S D’ASSURAN CES DU	3.289.	See also our comments on 3.231, point b and 3.202.		
1,168.	Association of British Insurers	3.289.	Comparative analysis could give rise to confidentiality issues, in particular in certain markets (monolines). Therefore, we would expect the supervisor to be alive and sensitive to this issue.		Noted.
1,169.					
1,170.					
1,171.					
1,172.			Confidential comment deleted		Noted
1,173.	CEA, ECO-SLV- 09-452	3.289.	We have some concerns regarding comparative analysis. Comparative analysis can be useful but it should have sufficient depth to be meaningful, i.e. having comparative figures from one peer undertaking is certainly insufficient. The analysis should not use confidential information that could not be shared with the undertaking. Otherwise the communication process would be		Noted. Please see comment 12 above.

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			broken and there no longer will be any room for the undertaking to counter-argue. Indeed, comparing oneself with peers is always difficult to interpret as the public information is usually aggregated. Risk profiles are usually different and differences can only be found on the detailed level. However, this usually not made available to public. See also our comments on 3.231, point b and 3.202.	
1,174.	CRO Forum	3.289.	<p>Same as 3.273</p> <p>In the event that new parameters that clearly better reflect the risk profile of the undertaking are available, the undertaking should be encouraged to simply update the SCR using these new parameters rather than establishing a separate capital add-on by re-running the model on these new parameters. Companies should work with the supervisor to agree on what would be appropriate new parameters.</p> <p>It should be noted that the finding the new parameters that best reflect the risk profile should be the responsibility of undertakings</p> <p>In order to ensure consistency across Europe, there should be additional advice that specifies a harmonised criteria and application of the comparative analysis.</p>	<p>See comment 1082 above.</p> <p>Noted. Please refer to paragraph 3.289.</p> <p>See comment 1141 above.</p>
1,175.	DIMA (Dublin International Insurance & Management	3.289.	The supervisory authority should be required to have very strong evidence of inadequate design assumptions in the internal model before requiring any capital add-on. An SCR that is lower than those of undertakings that the supervisory authority considers comparable should not by itself be sufficient proof of the requirement for a capital add-on as there may be valid reasons for such a difference in the SCR calculation. The undertaking should be given every opportunity to justify the design assumptions that it is using. The setting of a capital add-on using such crude measures as comparative analysis should be avoided.	<p>Capital add-ons are last resort measures. Noted second and third phrase.</p> <p>For comparative analysis see comment 12 above.</p>

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			If a comparative analysis is used, in order to ensure consistency, there should be additional advice that specifies a harmonised criteria and application of the comparative analysis.		
1,176.	European Insurance CFO Forum	3.289.	Comments in 3.273, 3.283 are also relevant here.		See comment 1082 above.
1,177.	European Insurance CFO Forum	3.289.	Comments in 3.273, 3.283 are also relevant here.		
1,178.	FFSA	3.289.	<p>FFSA does not support CEIOPS allowing capital add-on to be set based on the use of comparative analysis. Comparing one entity to another is judgmental and this option would lead to discretionary decisions.</p> <p>FFSA suggests that such analysis should have sufficient depth to be meaningful, i.e. having comparative figures from one peer undertaking is certainly insufficient to derive a general law. FFSA also suggests that the analysis should not use confidential information that could not be shared with the undertaking. Otherwise the communication process would be broken and there no longer will be any room for the undertaking to counter-argue. Indeed, comparing oneself with peers is always difficult to interpret as the public information is usually aggregated. Risk profiles are usually different and differences could only be spotted on the detailed level... details which are usually not made available to public.</p>		See comment 12 above.
1,179.	German Insurance Association – Gesamtverb	3.289.	<p>We have some concerns regarding comparative analysis.</p> <p>Comparative analysis can be useful but it should have sufficient depth to be meaningful, i.e. having comparative figures from one peer undertaking is certainly insufficient. The analysis should not use confidential information that could not be shared with the</p>		See comment 12 above.

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	and der D		undertaking. Otherwise the communication process would be broken and there no longer will be any room for the undertaking to counter-argue. Indeed, comparing oneself with peers is always difficult to interpret as the public information is usually aggregated. Risk profiles are usually different and differences can only be found on the detailed level. However, this usually not made available to public. See also our comments on 3.231, point b and 3.202.	
1,180.	GROUPAMA	3.289.	Same as 3.273	
1,181.	Lloyd's	3.289.	Care should be taken when supervisors use comparative analysis. For the analysis to be meaningful, it should have sufficient depth, not be subject to different interpretations and include a wide range of undertakings in the same peer group. The information used should also be able to be shared with the undertaking. Clarification should be provided on the meaning of 'comparative' in this context: is it by risk type, peer group or industry sector?	Noted. See comment 12 above. See comment 1141 above.
1,182.	Munich RE	3.289.	See also our comments on 3.202.	See comment 12 above.
1,183.	Pearl Group Life	3.289.	It needs to be made clear here whether this information would be solely for sight / use of the supervisory authority or if it would be shared with the undertaking, who is likely to be a competitor. This is likely to impact what information we would be willing to share.	See comment 12 above.
1,184.	European Insurance CFO Forum	3.290.	Comments in 3.283 are also relevant here.	Noted.
1,185.	European Insurance CFO Forum	3.290.	Comments in 3.283 are also relevant here.	Noted
1,186.	European Insurance CFO Forum	3.291.	Comments in 3.283 are also relevant here.	Noted.

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1,187.	European Insurance CFO Forum	3.291.	Comments in 3.283 are also relevant here.	Noted
1,188.	Association of British Insurers	3.292.	The wording of this paragraph is unclear and confusing. Refer to our comments on 3.286	See comment 1146 above.
1,189.				
1,190.				
1,191.				
1,192.			Confidential comment deleted	Noted
1,193.	CEA, ECO-SLV-09-452	3.292.	See our comments on 3.286.	See comment 1151 above.
1,194.	CRO Forum	3.292.	<p>In the event that new dependency structure parameters that clearly reflect the risk profile of the undertaking are available, the undertaking should be encouraged to simply rerun the internal model and calculate the SCR using these new parameters rather than establishing a separate capital add-on by re-running the model on these new dependency structure parameters. Companies should work with the supervisor to agree on what would be appropriate new dependency structure parameters.</p> <p>It should be noted that the finding of new correlation factors that best reflect the risk profile should be the responsibility of undertakings</p>	<p>See comment 1174 above.</p> <p>Noted. Please refer to the next paragraph.</p>
1,195.	DIMA (Dublin International Insurance &	3.292.	In the event that new dependency structure parameters that clearly better reflect the risk profile of the undertaking are available, the undertaking should be encouraged to simply rerun the internal model and calculate the SCR using these new parameters rather	See comment 1151 above.

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	Management		establishing a separate capital add-on.		
1,196.	European Insurance CFO Forum	3.292.	Comments in 3.283 are also relevant here.		Noted.
1,197.	European Insurance CFO Forum	3.292.	Comments in 3.283 are also relevant here.		Noted.
1,198.	German Insurance Association – Gesamtverb and der D	3.292.	See our comments on 3.286.		Noted.
1,199.	GROUPAMA	3.292.	It should be noted that the finding of new dependency structure's parameters that best reflect the risk profile should be under the responsibility of undertakings		Noted. Please refer to the next paragraph .
1,200.	Munich RE	3.292.	See our comments on 3.286.		Noted.
1,201.			Confidential comment deleted		Noted
1,202.	CRO Forum	3.293.	In the event that an alternative dependency structure that clearly reflects the risk profile of the undertaking is available, the undertaking should be encouraged to simply rerun the internal model and calculate the SCR using this new dependency structure rather than establishing a separate capital add-on by re-running the model on these new dependency structure parameters. Companies should work with the supervisor to agree on what would be appropriate new dependency structure parameters. Advice is needed to explain the different dependency structures and aggregation tools that are available so that informed decisions on		See comment 1151 above. See comment 1161 above.

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			<p>selection can be made by firms. How will supervisors ensure that one type of methodology is comparable to another? How will results for different dependency structures and aggregation methodologies be benchmarked together to ensure that supervisory advice is consistent and fair?</p> <p>Same as 3.273</p>		See comment 1141 above.
1,203.	DIMA (Dublin International Insurance & Management	3.293.	<p>In the event that an alternative dependency structure that clearly better reflects the risk profile of the undertaking is available, the undertaking should be encouraged to simply rerun the internal model and calculate the SCR using this new dependency structure rather than establishing a separate capital add-on.</p> <p>Use of the term "best fits" is a subjective view open to different interpretations – are we to interpret this as the best fit in the opinion of the undertaking?</p>		<p>See comment 1151 above.</p> <p>See comment 1141 above.</p>
1,204.	European Insurance CFO Forum	3.293.	Comments in 3.283 are also relevant here.		Noted.
1,205.	European Insurance CFO Forum	3.293.	Comments in 3.283 are also relevant here.		Noted
1,206.	GROUPAMA	3.293.	Same as 3.273		See comment 1082 above.
1,207.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.294.	See comment to 3.282.		Noted

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1,208.	CEA, ECO-SLV- 09-452	3.294.	See comment to 3.282.	See comment 1131 above.	
1,209.	CRO Forum	3.294.	If an undertaking is using a dependency structure backed by empirical and statistical studies and/or expert judgement, then the supervisor should be required to provide strong justification that the dependency structure is inadequate. An SCR that is lower than those of undertakings that the supervisory authority considers comparable should not by itself be sufficient proof of the requirement for a capital add-on as there may be valid reasons for such a difference in the SCR calculation. The undertaking should be given every opportunity to justify the dependency structure that it is using, The setting of a capital add-on using such crude measures as comparative analysis should be avoided.	Noted. For comparative analysis please refer to comment 12 above.	
1,210.	DIMA (Dublin International Insurance & Management	3.294.	If an undertaking is using a dependency structure backed by empirical and statistical studies and/or expert judgment, then the supervisor should be required to provide strong justification that the dependency structure is inadequate. An SCR that is lower than those of undertakings that the supervisory authority considers comparable should not by itself be sufficient proof of the requirement for a capital add-on as there may be valid reasons for such a difference in the SCR calculation. The undertaking should be given every opportunity to justify the dependency structure that it is using. The setting of a capital add-on using such crude measures as comparative analysis should be avoided. If a comparative analysis is used, in order to ensure consistency, there should be additional advice that specifies a harmonised criteria and application of the comparative analysis.	See comment 1209 above.	
1,211.	European Insurance	3.294.	Comments in 3.283 are also relevant here.	Noted.	

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	CFO Forum				
1,212.	European Insurance CFO Forum	3.294.	Comments in 3.283 are also relevant here.		Noted.
1,213.	FFSA	3.294.	FFSA would support the opinion that the process for the supervisor to assess the potential risk profile deviation in case of using an internal model is included in the general approval process of internal model and should not be a source of capital add-on. As a result, FFSA does not see the rationale for a supervisor to impose any capital add-on for risk deviation once using an "approved" internal model.		See comment 9 above.
1,214.	German Insurance Association – Gesamtverb and der D	3.294.	See comment to 3.282.		See comment 1135 above.
1,215.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.295.	In cases of deviations caused by the aggregation mechanism, we do not support CEIOPS in allowing a capital add-on to be set based on the use of comparative analysis. Each model is unique and using such comparisons would lead to discretionary decisions.		Noted
1,216.	Association of British Insurers	3.295.	In cases of deviations caused by the aggregation mechanism, we do not support CEIOPS in allowing a capital add-on to be set based on the use of comparative analysis. Each model is unique and using such comparisons could lead to arbitrary decisions.		Noted.
1,217.					
1,218.					

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1,219.					
1,220.			Confidential comment deleted		Noted
1,221.	CEA, ECO-SLV- 09-452	3.295.	In cases of deviations caused by the aggregation mechanism, we do not support Ceiops in allowing a capital add-on to be set based on the use of comparative analysis. Each model is unique and using such comparisons would lead to discretionary decisions.		Noted.
1,222.	CRO Forum	3.295.	In order to ensure consistency across Europe, there should be additional advice that specifies a harmonised criteria and application of the comparative analysis.		Noted.
1,223.	European Insurance CFO Forum	3.295.	Comments in 3.283 are also relevant here.		Noted.
1,224.	European Insurance CFO Forum	3.295.	Comments in 3.283 are also relevant here.		Noted
1,225.	German Insurance Association – Gesamtverb and der D	3.295.	In cases of deviations caused by the aggregation mechanism, we do not support CEIOPS in allowing a capital add-on to be set based on the use of comparative analysis. Each model is unique and using such comparisons would lead to discretionary decisions.		See comment 1216 above.
1,226.	Lloyd's	3.295.	We do not agree that a capital add-on could be set through comparative analysis. This could lead to discretionary decisions by supervisors based on data which either cannot be disclosed to the undertaking or is difficult for the undertaking to challenge. Clarification should be provided on the meaning of 'comparative' in this context: is it by risk type, peer group or industry sector?		Noted. See comment 1080 above.

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1,227.	Munich RE	3.295.	In cases of deviations caused by the aggregation mechanism, we do not support CEIOPS in allowing a capital add-on to be set based on the use of comparative analysis. Each model is unique and using such comparisons would lead to discretionary decisions.	See comment 1216 above.	
1,228.	Pearl Group Life	3.295.	This would have to be used appropriately. A supervisory authority that is scaling-up a capital charge should have to justify, to a standard comparable to that required by an undertaking under Solvency II, why the scale-up they used is appropriate to avoid this being arbitrarily set too high.	See comment 12 above.	
1,229.	Association of British Insurers	3.296.	See comments under 3.222	Noted.	
1,230.					
1,231.					
1,232.					
1,233.			Confidential comment deleted	Noted	
1,234.	CEA, ECO-SLV-09-452	3.296.	<p>We support option 3 for calculation a governance capital add-on: Harmonised criteria to be taken into account in determining the amount in addition to cause and effect.</p> <p>We support option 3 but on the condition that a cap is also set-up on the possible maximum amount of capital add-on. We would also suggest a principle based scoring methodology to asses these governance add-ons. Also see comments on 3.222.</p>	<p>Noted.</p> <p>See comment 833 above.</p>	
1,235.	CRO Forum	3.296.	Point (a) should not receive disproportionate attention and can only be fully considered in the context of the actual situation	Noted. According to the Level 1 text the principle of 99.5 % VaR	

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			Option 3 as far as the approach respects principle of 99.5% VAR. The significance assessment of a governance deviation is too open as it currently stands in this CP. Additionally no methodology has been defined to quantify the capital add-on.	does not apply to governance capital add-ons. CEIOPS does not consider it possible to be more specific at this time for both the assessment and the methodology. Any suggestions for further specifications are welcome.	
1,236.	DIMA (Dublin International Insurance & Management	3.296.	The significance assessment of a governance deviation is too open as it currently stands in this consultation paper. Additionally no methodology has been defined to quantify the capital add-on.	See comment 1235 above.	
1,237.	FFSA	3.296.	As regards governance capital add-on, CEIOPS develops three calculating approaches: - Option 1: Percentage of the SCR established by categories according to a specific grouping of deficiencies; - Option 2: Pre-defined scenarios (cause and effect); - Option 3: Harmonised criteria in addition to cause and effect approach. CEIOPS is in favor of the third option, that would rely on the works to be performed around the convergence of risk categorization. FFSA would support option 3 but on condition that a cap is also set-up on the possible maximum amount of capital add-on.	See comment 833 above.	
1,238.	German Insurance Association	3.296.	We support option 3 for calculation a governance capital add-on: Harmonised criteria to be taken into account in determining the amount in addition to cause and effect.		

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	- Gesamtverb and der D		We support option 3 but on the condition that a cap is also set-up on the possible maximum amount of capital add-on. We would also suggest a principle based scoring methodology to asses these governance add-ons. Also see comments on 3.222.	See comment 833 above.	
1,239.	GROUPAMA	3.296.	a) This point should not be disproportional and cannot be appreciated only in comparison with actual situation Option 3 as much as the approach respects principle of VAR 99.5%	See comment 1235 above.	
1,240.	Lloyd's	3.296.	We agree with this approach.	Noted.	
1,241.	Munich RE	3.296.	We support option 3 as far as the approach respects principle of 99.5% VAR. Also see comments on 3.222.	See comment 1235 above.	
1,242.	Pearl Group Life	3.296.	We support option 3): harmonised criteria to be taken into account in determining the amount in addition to cause and effect.	Noted.	
1,243.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.297.	We thought that bad decisions (e. g. A huge reduction of the insurance price for the next year) and the strategic risk in general could force the supervisor to apply capital add on.	Noted	
1,244.	Association of British Insurers	3.297.	See comments under 3.231	See comment 863 above.	
1,245.					
1,246.					
1,247.					
1,248.			Confidential comment deleted	Noted	
1,249.	CEA,	3.297.	We support this paragraph and having harmonised criteria for	Noted.	

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	ECO-SLV-09-452		defining the amount of a capital add-on. However also see our comments on 3.231 for three reservations.	
1,250.	CRO Forum	3.297.	<p>The criteria to be taken into account when defining the amount of capital add-on as for Article 37(1)(c) could also include:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Analysis of past losses arising from inadequate governance <input type="checkbox"/> The type of organisation at stake (e.g. a reinsurer only accepting business from group companies may require a lower capital add-on if the group has sufficient free surplus and the risk is relatively low compared to that of the group as a whole) 	<p>This is basically point c)</p> <p>This would not be in line with the Level 1 text which requires the capital add-on to be proportionate to the material risks arising from the deficiencies.</p>
1,251.	DIMA (Dublin International Insurance & Management	3.297.	<p>The criteria to be taken into account when defining the amount of a capital add-on as for Article 37(1)(c) could also include:</p> <ul style="list-style-type: none"> - Analysis of past losses arising from inadequate governance <p>The type of organisation and the policyholders at stake (e.g. a reinsurer only accepting business from group companies may require a lower capital add-on).</p>	See comment 1250 above.
1,252.	European Insurance CFO Forum	3.297.	The criteria in c) are too detailed relative to the general criteria set out in the other points. We recommend that this is adapted to be less specific.	CEIOPS disagrees. This is the most specific criterium available.
1,253.	European Insurance CFO Forum	3.297.	The criteria in c) are too detailed relative to the general criteria set out in the other points. We recommend that this is adapted to be less specific.	See comment 1252 above.
1,254.	European Union member firms of Deloitte	3.297.	We believe that the analysis of past capital add-ons is important, but it should still be subject to the measure that a capital add-on is with respect to a specific situation and not set on a market norm reflecting the measure of last resort nature of a capital add-on. As mentioned throughout the paper, a capital add-on is not a penalty	Using the criterium does not imply that a capital add-on set in the past is "copied". This is only a frame for the individual decision.

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	Touche To		but a protection measure. We believe that a clear specification of the extent to which an organizational culture of the undertaking should be considered when defining the amount of capital add-on is important. This will also help with regard to supervisory convergence.	CEIOPS does not consider it possible to specify the extent to which any of the criteria should be taken into account in an individual decision.
1,255.	FFSA	3.297.	FFSA support the harmonised criteria proposed to be taken into account when defining the amount of a capital add-on as for Article 37(1)(c)	Noted.
1,256.			Confidential comment deleted	Noted
1,257.	German Insurance Association – Gesamtverb and der D	3.297.	We support this paragraph and having harmonised criteria for defining the amount of a capital add-on. However also see our comments on 3.231 for three reservations.	Noted.
1,258.	Lloyd's	3.297.	We agree with the list of criteria subject to our comment re point g) as noted for paragraph 3.231 above.	Noted.
1,259.	Munich RE	3.297.	We support this paragraph and having harmonised criteria for defining the amount of a capital add-on.	Noted.
1,260.	Pearl Group Life	3.297.	point g) It is unclear to us what is meant by "if any evidence indicates that more deficiencies are yet to be discovered". In our view governance capital add-ons can only be applied in response to identified deficiencies. We would therefore propose that the second part of point g is deleted.	The deficiency would already be identified as such but the full extent of the problem not yet fully assessed.
1,261.			Confidential comment deleted	Noted
1,262.	CRO Forum	4.	How will capital add-ons be managed in relation to non-EU entities?	Non-EEA entities are not subject

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			<p>More clarification is requested around how this will be managed consistently by lead supervisors across member states</p> <p>More clarity is requested around how capital add-ons at solo level will interact with group level capital add-ons. We submit that the same principles should apply at both solo and group level.</p>	<p>to title I of the Level 1 text. Nevertheless, risks coming from those entities have to be taken into account when assessing the group SCR. CEIOPS considers that cooperation with third countries will be very important in that respect as mentioned in CP60 and 62.</p> <p>Principles at solo level apply consistently at group level unless otherwise stated.</p>	
1,263.	Munich RE	4.	<p>How will capital add-ons be managed in relation to non-EU entities? More clarification is requested around how this will be managed consistently by lead supervisors across member states.</p> <p>More clarity is requested around how capital add-ons at solo level will interact with group level capital add-ons. We submit that the same principles should apply at both solo and group level.</p>	See comment 1262 above.	
1,264.	CEA, ECO-SLV-09-452	4.1.	The current wording is confusing. We assume Ceioms intended to say that this chapter highlights some of the key group-specific issues for the current consultation paper.	Yes, correct.	
1,265.	German Insurance Association – Gesamtverb and der D	4.1.	The current wording is confusing. We assume CEIOPS intended to say that this chapter highlights some of the key group-specific issues for the current consultation paper.	Yes, correct.	
1,266.	AAS BALTA	4.2.	Agree	Noted.	

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1,267.	AB Lietuvos draudimas	4.2.	Agree		Noted.
1,268.	DENMARK: Codan Forsikring A/S (10529638)	4.2.	Agree		Noted.
1,269.	Link4 Towarzystw o Ubezpieczeń SA	4.2.	Agree		Noted.
1,270.	NORWAY: Codan Forsikring (Branch Norway) (991 502	4.2.	Agree		Noted.
1,271.	RSA Insurance Group PLC	4.2.	Agree		Noted.
1,272.	RSA Insurance Ireland Ltd	4.2.	Agree		Noted.
1,273.	RSA - Sun Insurance Office Ltd.	4.2.	Agree		Noted.
1,274.	SWEDEN: Trygg-Hansa	4.2.	Agree		Noted.

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	Försäkrings AB (516401-7799)				
1,275.	Association of British Insurers	4.8.	We disagree with CEIOPS' views on group specific risks. Certain risks are not specific to groups but to complex entities which can be groups or solo entities. See our response to CP 60.	What is specific to groups is that the complexity is embedded in different legal entities. Hence there are group specific risk features. Also risks occurring at holding level e.g. are specific to groups.	
1,276.					
1,277.					
1,278.					
1,279.			Confidential comment deleted	Noted	
1,280.	CEA, ECO-SLV-09-452	4.8.	In our view certain risks are not specific to groups but rather to complex entities which can be groups or solo entities. Therefore we do not agree with paragraph 4.8. There should not be capital add-ons automatically for group-specific risks and supervisors should also consider the positive aspects of being part of a group.	There will be no automatic group add-on. Risk mitigation will have to be taken into account. Only significant group risks will be considered in terms of an add-on. The decision process explained in CP60 illustrates that.	
1,281.	German Insurance Association – Gesamtverband der D	4.8.	In our view certain risks are not specific to groups but rather to complex entities which can be groups or solo entities. Therefore we do not agree with paragraph 4.8. There should not be capital add-ons automatically for group-specific risks and supervisors should also consider the positive aspects of being part of a group.	See comment 1280 above.	
1,282.	Association	4.11.	We believe the same treatment should be applied both to groups	As there are no loadings for group	

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	of British Insurers		and solo undertakings. We do not agree group capital add-ons might be more frequent.		risks in the solo SCR they might be logically more frequent. Risks occurring at holding level e.g. are specific to groups.
1,283.					
1,284.					
1,285.					
1,286.			Confidential comment deleted		Noted
1,287.	CEA, ECO-SLV-09-452	4.11.	<p>Group capital add-ons should be exceptional.</p> <p>We disagree with the following part of the paragraph: "Most groups will be exposed to some degree of group-specific risks, but not all groups will be exposed to a significant level of such risks that may necessitate a group capital add-on as a last resort measure". This implies that group capital add-ons will not be exceptional and contradicts paragraphs 4.4 and 4.34. It is also a deviation from Level 1 text (article 230 states that the provisions set out in Article 37 (1) to (5), together with implementing measures taken in accordance with Article 37(6), shall apply mutatis mutandis).</p> <p>In our view "group specific risks" should not automatically lead to an additional capital charge. We would like to emphasise that being part of a well controlled and managed group has also a positive impact on the risk profile, for example in terms of the parent being able to support subsidiaries who are in financial distress or in terms of the risk management knowledge within the group.</p> <p>Any risks not adequately reflected in the group SCR should be considered as part of the Supervisory Review Process under Pillar</p>		See comment 1282 above. Also please note that the capital add-on process is part of the Pillar II supervisory review process. See also CP60 for the process of putting an add-on at group level.

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			II.		
1,288.	German Insurance Association – Gesamtverb and der D	4.11.	<p>Group capital add-ons should be exceptional.</p> <p>We disagree with the following part of the paragraph: “Most groups will be exposed to some degree of group-specific risks, but not all groups will be exposed to a significant level of such risks that may necessitate a group capital add-on as a last resort measure”. This implies that group capital add-ons will not be exceptional and contradicts paragraphs 4.4 and 4.34. It is also a deviation from Level 1 text (article 230 states that the provisions set out in Article 37 (1) to (5), together with implementing measures taken in accordance with Article 37(6), shall apply mutatis mutandis).</p> <p>In our view “group specific risks” should not automatically lead to an additional capital charge. We would like to emphasise that being part of a well controlled and managed group has also a positive impact on the risk profile, for example in terms of the parent being able to support subsidiaries who are in financial distress or in terms of the risk management knowledge within the group.</p> <p>Any risks not adequately reflected in the group SCR should be considered as part of the Supervisory Review Process under Pillar II.</p>	See comment 1282 above.	
1,289.					
1,290.	Pearl Group Life	4.11.	We believe the same treatment should be applied both to groups and solo undertakings. We do not agree group capital add-ons might be more frequent.	See comment 1282 above.	
1,291.	CEA,	4.12.	This is a deviation from the Level 1 text. See also our comments on	CEIOPS does not agree with this	

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	ECO-SLV-09-452		paragraph 4.11.		interpretation of the Directive.
1,292.	German Insurance Association – Gesamtverb and der D	4.12.	This is a deviation from the Level 1 text. See also our comments on paragraph 4.11.		See comment 1291 above.
1,293.	European Insurance CFO Forum	4.14.	We recommend that guidance on the role of the college is removed from CP57 and dealt with solely in CP 60. CP57 provides guidance around the role of the College. However, some of this guidance is repetition of guidance in CP60: Advice on Group Solvency Assessment. To avoid the risk of inconsistent or contradictory implementing measures, we recommend that guidance on the role of the college is removed from CP57 and dealt with solely in CP 60.		CEIOPS suggests that the text is duplicated in CP 60 to get the full picture.
1,294.	European Insurance CFO Forum	4.14.	We recommend that guidance on the role of the college is removed from CP57 and dealt with solely in CP 60. CP57 provides guidance around the role of the College. However, some of this guidance is repetition of guidance in CP60: Advice on Group Solvency Assessment. To avoid the risk of inconsistent or contradictory implementing measures, we recommend that guidance on the role of the college is removed from CP57 and dealt with solely in CP 60.		See comment 1293 above.
1,295.	CRO Forum	4.17.	We agree with the general idea that principles on the process should be the same at group and solo level.		Noted.
1,296.	European Insurance CFO Forum	4.17.	Comments in 4.14 are also relevant here.		See comment 1293 above.

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1,297.	European Insurance CFO Forum	4.17.	Comments in 4.14 are also relevant here.		Noted
1,298.	GROUPAMA	4.17.	We agree with the general idea that principles on the process should be the same at group and solo level.		Noted.
1,299.	Munich RE	4.17.	We agree with the general idea that principles on the process should be the same at group and solo level.		Noted.
1,300.	European Insurance CFO Forum	4.18.	Comments in 4.14 are also relevant here.		See comment 1293 above.
1,301.	European Insurance CFO Forum	4.18.	Comments in 4.14 are also relevant here.		See comment 1293 above.
1,302.	European Insurance CFO Forum	4.19.	Comments in 4.14 are also relevant here.		See comment 1293 above.
1,303.	European Insurance CFO Forum	4.19.	Comments in 4.14 are also relevant here.		See comment 1293 above.
1,304.	CEA, ECO-SLV-09-452	4.23.	We would ask Ceiops to explain clearly how the process for identifying a governance failure in a group would be performed and what underlying principles would be applied.		The underlying principles are the same as for solo. The group governance requirements will be a bit further explained in a forthcoming CP on centralised risk management.
1,305.	German Insurance Association –	4.23.	We would ask CEIOPS to explain clearly how the process for identifying a governance failure in a group would be performed and what underlying principles would be applied.		See comment 1303 above.

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	Gesamtverb and der D				
1,306.	Munich RE	4.23.	We would ask CEIOPS to explain clearly how the process for identifying a governance failure in a group would be performed and what underlying principles would be applied.	See comment 1303 above.	
1,307.			Confidential comment deleted	Noted	
1,308.	CRO Forum	4.26.	We believe the assessment of the significance of deviations for Groups should be included as part of Level 2 advice to ensure consistency at solo supervisory authority level.	This will be implicitly embedded in the structure with the task-force, the peer reviews and also possibly in the new supervisory structure	
1,309.	CRO Forum	4.27.	We submit that the same principles applied at solo level re reference values should be applied at group level	See comment 1293 above.	
1,310.	European Insurance CFO Forum	4.28.	Comments in 4.14 are also relevant here.	Consistency against CP 60 will be checked.	
1,311.	European Insurance CFO Forum	4.28.	Comments in 4.14 are also relevant here.	Noted	
1,312.	CRO Forum	4.30.	We believe that the same methodology and approach applied at solo level should be applied at group level More clarity is requested around how group specific risks will be identified and benchmarked	There will be benchmarks within the supervisory structure such as peer reviews, the task force and other possible measures.	
1,313.	Association of British Insurers	4.34.	We support the general idea that recommendations at solo level shall apply consistently at group level with the necessary adaptations.	Noted.	
1,314.					
1,315.					

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1,316.					
1,317.	CEA, ECO-SLV- 09-452	4.34.	We support the general idea that recommendations at solo level shall apply consistently at group level with the necessary adaptations.	Noted.	
1,318.	German Insurance Association – Gesamtverb and der D	4.34.	We support the general idea that recommendations at solo level shall apply consistently at group level with the necessary adaptations.	Noted.	
1,319.	Munich RE	4.34.	We support the general idea that recommendations at solo level shall apply consistently at group level with the necessary adaptations.	Noted.	
1,320.	AAS BALTA	4.35.	Agree	Noted.	
1,321.	AB Lietuvos draudimas	4.35.	Agree	Noted.	
1,322.	Association of British Insurers	4.35.	<p>Using the deduction aggregation method this way means that the group capital add-on will be the sum of the solo capital add-ons. This does not seem to be appropriate and to be in line with the principles behind the treatment of solo capital add-ons for accounting-consolidation method in paragraph 4.37.</p> <p>Therefore we propose that undertakings using the deduction/aggregation method can exclude capital add-ons from the solo SCR and add the appropriate add-ons at group level when examining the group situation of the undertaking.</p>	<p>As the add-on will be a component in the SCR and the SCR is then aggregated it will mathematically flow through when using the deduction and aggregation method.</p> <p>But even with the consolidation method there will be an assessment at group level considering any add-on existing</p>	

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					at solo-level.
1,323.					
1,324.					
1,325.					
1,326.	DENMARK: Codan Forsikring A/S (10529638)	4.35.	Agree		Noted.
1,327.	Link4 Towarzystw o Ubezpieczeń SA	4.35.	Agree		Noted.
1,328.	NORWAY: Codan Forsikring (Branch Norway) (991 502)	4.35.	Agree		Noted.
1,329.	Pearl Group Life	4.35.	Using the deduction aggregation method this way means that the group capital add-on will be the sum of the solo capital add-ons. This does not seem to be appropriate and to be in line with the principles behind the treatment of solo capital add-ons for accounting-consolidation method in paragraph 4.37. We think that undertakings using the deduction/aggregation method can exclude capital add-ons from the solo SCRs and add the appropriate add-ons at group level when examining the group		See comment 1322 above.

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			situation of the undertaking.	
1,330.	RSA Insurance Group PLC	4.35.	Agree	Noted.
1,331.	RSA Insurance Ireland Ltd	4.35.	Agree	Noted.
1,332.	RSA - Sun Insurance Office Ltd.	4.35.	Agree	Noted.
1,333.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	4.35.	Agree	Noted.
1,334.	AAS BALTA	4.36.	Agree	Noted.
1,335.	AB Lietuvos draudimas	4.36.	Agree	Noted.
1,336.	CEA, ECO-SLV-09-452	4.36.	<p>We propose that undertakings using the deduction/aggregation method can exclude capital add-ons from the solo SCRs and add the appropriate add-ons at group level when examining the group situation of the undertaking.</p> <p>Using the deduction aggregation method this way means that the group capital add-on will be the sum of the solo capital add-ons. This does not seem to be appropriate and to be in line with the principles behind the treatment of solo capital add-ons for accounting-consolidation method in paragraph 4.37.</p>	<p>See comment 1322 above.</p> <p>See comment 1322 above.</p> <p>Noted</p>

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			<p>Ceioms should also consider situations where there is a participation over which significant influence but not control is exercised.</p> <p>If the participation has a solo capital add-on this, only the relevant proportion of this should become a group capital add-on. Ceioms should consider that the group may not be able to influence the participations to address governance deficiencies etc.</p>	<p>The proportion of the add-on flowing automatically from solo calculation is the one the same as the percentage of the SCR included in the group calculation.</p>	
1,337.	DENMARK: Codan Forsikring A/S (10529638)	4.36.	Agree	Noted.	
1,338.	European Insurance CFO Forum	4.36.	<p>The CFO Forum disagrees with the assertion that the group Capital Add-On should be the sum of the solo Capital Add-Ons.</p> <p>The assertion here is that the group Capital Add-On is be the sum of the solo Capital Add-Ons. We disagree with this assertion and believe that the appropriateness of holding each solo Add-On should be considered at the group level. In this respect, the advice in 4.36 contradicts that in 4.37.</p>	<p>See comment 1322 above</p> <p>There might additional add-on e.g. due to group governance.</p> <p>CEIOPS disagrees - Deduction aggregation method is different from the consolidated method, there is no group calculation of the SCR as such.</p>	
1,339.	European Insurance CFO Forum	4.36.	<p>The CFO Forum disagrees with the assertion that the group Capital Add-On should be the sum of the solo Capital Add-Ons.</p> <p>The assertion here is that the group Capital Add-On is be the sum of the solo Capital Add-Ons. We disagree with this assertion and believe that the appropriateness of holding each solo Add-On should be considered at the group level. In this respect, the advice in 4.36 contradicts that in 4.37.</p>	See comment 1322 above.	
1,340.	FFSA	4.36.	FFSA suggests that when the deduction and aggregation method	See comment 1322 above.	

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			applies, any capital add-on applied at solo level would not be disclosed automatically as capital add-on at group level.		
1,341.	German Insurance Association – Gesamtverb and der D	4.36.	<p>We propose that undertakings using the deduction/aggregation method can exclude capital add-ons from the solo SCRs and add the appropriate add-ons at group level when examining the group situation of the undertaking.</p> <p>Using the deduction aggregation method this way means that the group capital add-on will be the sum of the solo capital add-ons. This does not seem to be appropriate and to be in line with the principles behind the treatment of solo capital add-ons for accounting-consolidation method in paragraph 4.37.</p> <p>CEIOPS should also consider situations where there is a participation over which significant influence but not control is exercised.</p> <p>If the participation has a solo capital add-on this, only the relevant proportion of this should become a group capital add-on. CEIOPS should consider that the group may not be able to influence the participations to address governance deficiencies etc.</p>	<p>See comment 1322 above.</p> <p>See comment 1336 above.</p>	
1,342.	Link4 Towarzystw o Ubezpieczeń SA	4.36.	Agree	Noted.	
1,343.	Munich RE	4.36.	<p>Using the deduction aggregation method this way means that the group capital add-on will be the sum of the solo capital add-ons. This does not seem to be appropriate and to be in line with the principles behind the treatment of solo capital add-ons for accounting-consolidation method in paragraph 4.37.</p> <p>Therefore we propose that undertakings using the deduction/aggregation method can exclude capital add-ons from</p>	See comment 1322 above.	

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			the solo SCRs and add the appropriate add-ons at group level when examining the group situation of the undertaking.		
1,344.	NORWAY: Codan Forsikring (Branch Norway) (991 502	4.36.	Agree		Noted.
1,345.	RSA Insurance Group PLC	4.36.	Agree		Noted.
1,346.	RSA Insurance Ireland Ltd	4.36.	Agree		Noted.
1,347.	RSA - Sun Insurance Office Ltd.	4.36.	Agree		Noted.
1,348.	SWEDEN: Trygg-Hansa Försäkrings AB (516401- 7799)	4.36.	Agree		Noted.
1,349.	Association of British Insurers	4.37.	We agree with CEIOPS' view that the impact of a solo capital add-on should be assessed at group level, notably the rationale for a solo capital add-on to be kept at group level based on materiality and consolidation method reasons.		Noted.
1,350.					
1,351.					

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1,352.				
1,353.	CEA, ECO-SLV- 09-452	4.37.	We agree with Ceiops' view that the impact of a solo capital add-on should be assessed at group level, notably the rationale for a solo capital add-on to be kept at group level based on materiality and consolidation method reasons.	Noted.
1,354.	DIMA (Dublin International Insurance & Management	4.37.	<p>The group supervisor should have considerable flexibility in deciding whether or not to apply add-ons existing at solo level to the SCR at group level. Items that could be considered in such a decision should include:</p> <ul style="list-style-type: none"> - the importance of the solo undertaking to the group - the time since acquisition of the solo entity - the size of the capital add-on - plans to address the issue causing the capital add-on - allowance for areas where risks are overestimated/prudent vs (a capital add-on due to) areas where risks are underestimated across the same group. <p>Note though that total flexibility as implied by a "case by case" basis could lead to supervisory discretion. Unless more advice is given here, this could lead to one territory having an advantage over another depending on the flexibility of the supervisor.</p>	<p>Noted.</p> <p>There will be benchmarks within the supervisory structure such as peer reviews, the task force and other possible measures.</p>
1,355.	European Insurance CFO Forum	4.37.	Comments in 4.14 and 4.36 are also relevant here.	Noted.
1,356.	European Insurance	4.37.	Comments in 4.14 and 4.36 are also relevant here.	Noted.

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	CFO Forum				
1,357.	FFSA	4.37.	FFSA agrees with CEIOPS' view that the impact of a solo capital add-on should be assessed at group level, notably the rationale for a solo capital add-on to be kept at group level based on materiality and consolidation method reasons.	Noted.	
1,358.	German Insurance Association – Gesamtverb and der D	4.37.	We agree with CEIOPS' view that the impact of a solo capital add-on should be assessed at group level, notably the rationale for a solo capital add-on to be kept at group level based on materiality and consolidation method reasons.	Noted.	
1,359.	Munich RE	4.37.	We agree with CEIOPS' view that the impact of a solo capital add-on should be assessed at group level, notably the rationale for a solo capital add-on to be kept at group level based on materiality and consolidation method reasons.	Noted.	
1,360.	Pearl Group Life	4.37.	We agree with CEIOPS' view that the impact of a solo capital add-on should be assessed at group level, notably the rationale for a solo capital add-on to be kept at group level based on materiality and consolidation method reasons.	Noted.	
1,361.			Confidential comment deleted	noted	
1,362.	CRO Forum	4.39.	No distinction has been made between Groups with entities outside of the EEA and Groups with entities within the EEA. It is possible that entities outside the EEA need to comply with local regulatory requirements that could be inconsistent with Solvency II requirements. Specific advice should be provided to allow for those cases.	Non EEA entities are not subject to title 1 of the Level 1 text. Nevertheless, risks stemming from those entities will have to be taken into account when assessing the group-SCR. CEIOPS considers that cooperation with	

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				third countries will be very important in that respect as mentioned in CP 60 and 62.	
1,363.	DIMA (Dublin International Insurance & Management	4.39.	No differentiation has been made between Groups with entities outside of the EU and Groups with entities within the EU. It is possible that entities outside the EU need to comply with local regulatory requirements that could be inconsistent with Solvency II requirements. Specific advice should be provided to allow for those cases.	See comment 1362 above.	
1,364.	Association of British Insurers	4.40.	We agree that the participation of supervisors in the college will be of critical importance where a group capital add-on is under consideration.	Noted.	
1,365.					
1,366.					
1,367.					
1,368.			Confidential comment deleted		
1,369.	CEA, ECO-SLV- 09-452	4.40.	We support Ceiops' view that the key group issue with respect to the assessment of a governance failure is the participation of supervisors in the college.	Noted.	
1,370.	CRO Forum	4.40.	Given that the Group supervisor may only be able to assess a system of governance at head office level, they will have to rely on the solo supervisors' assessment of the implementation of the Group system of governance. It is important to define a common and more specific approach to assess the significance of the deviation to be followed by all supervisors in order to ensure a	See CP 62 There will be benchmarks within the supervisory structure such as peer reviews, the task force and other possible measures.	

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			<p>consistent supervisory review across the Group through the College arrangements.</p> <p>There is no consideration of how this process will work with supervisors outside of the EEA who will not be part of the College of Supervisors.</p>	See CP 62	
1,371.	DIMA (Dublin International Insurance & Management	4.40.	<p>Given that the Group supervisor can only assess the system of governance at head office level, they will have to rely on the solo supervisors' assessment of the implementation of the Group system of governance. It is important to define a common and more specific approach to assess the significance of the deviation to be followed by all supervisors in order to ensure a consistent supervisory review across the Group through the College arrangements.</p> <p>There is no mention to how this process will work with supervisors outside of the EU who will not be part of the College of Supervisors.</p>	See comment 1370 above.	
1,372.	European Insurance CFO Forum	4.40.	Comments in 4.14 are also relevant here.	Noted.	
1,373.	European Insurance CFO Forum	4.40.	Comments in 4.14 are also relevant here.	Noted.	
1,374.	German Insurance Association – Gesamtverb and der D	4.40.	We support CEIOPS'view that the key group issue with respect to the assessment of a governance failure is the participation of supervisors in the college.	Noted.	
1,375.	Pearl Group Life	4.40.	We agree that the participation of supervisors in the college will be of critical importance where a group capital add-on is under consideration.	Noted.	

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1,376.	Association of British Insurers	4.41.	We agree that the timeframe for the application of a group capital add-on needs to be flexible to reflect the complexities of groups.	The Advice was changed for reasons of consistency with the solo level as the reasons for having a fixed maximum timeframe apply on group level as well.	
1,377.					
1,378.					
1,379.					
1,380.	CEA, ECO-SLV-09-452	4.41.	We agree that the timeframe for the application of a group capital add-on needs to be flexible. We support the idea that, as a general principle, the timeframes for the imposition of a capital add-on need to be flexible at group level to reflect the complexities of groups.	See comment 1376 above.	
1,381.	DIMA (Dublin International Insurance & Management	4.41.	Advice should go further to specify that the maximum of 6 months does not apply – and possibly specify a different maximum timeframe.	See comment 1376 above.	
1,382.	German Insurance Association – Gesamtverb and der D	4.41.	We agree that the timeframe for the application of a group capital add-on needs to be flexible. We support the idea that, as a general principle, the timeframes for the imposition of a capital add-on need to be flexible at group level to reflect the complexities of groups.	See comment 1376 above.	
1,383.	Munich RE	4.41.	We support the idea that, as a general principle, the timeframes for the imposition of a capital add-on need to be flexible at group level	See comment 1376 above.	

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			to reflect the complexities of groups.		
1,384.	Pearl Group Life	4.41.	We agree that the timeframe for the application of a group capital add-on needs to be flexible to reflect the complexities of groups.		See comment 1376 above.
1,385.	Association of British Insurers	4.42.	There should be some harmonised criteria for the calculation of group capital add-ons. We support the idea that the calculation of a group governance capital add-on should be assessed on a case-by-case basis to reflect the structure and complexity of the group. However, we would ask for some harmonised criteria to ensure supervisory convergence.		There will be benchmarks within the supervisory structure such as peer reviews, the task force and other possible measures.
1,386.					
1,387.					
1,388.					
1,389.			Confidential comment deleted		Noted
1,390.	CEA, ECO-SLV-09-452	4.42.	There should be some harmonised criteria for the calculation of group capital add-ons. We support the idea that the calculation of a group governance capital add-on should be assessed on a case-by-case basis to reflect the structure and complexity of the group. However, we would ask for some harmonised criteria to ensure supervisory convergence.		See comment 1385 above.
1,391.	CRO Forum	4.42.	We consider that a methodology to calculate the Group governance capital add-on should be included as part of Level 2 advice.		Agreed. See paragraph 4.39 of the Advice. It applies mutatis mutandis.
1,392.	DIMA (Dublin	4.42.	Suggest that a methodology to calculate the Group governance capital add-on should be included as part of Level 2 advice.		See comment 1391 above.

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	International Insurance & Management				
1,393.	German Insurance Association – Gesamtverband der D	4.42.	<p>There should be some harmonised criteria for the calculation of group capital add-ons.</p> <p>We support the idea that the calculation of a group governance capital add-on should be assessed on a case-by-case basis to reflect the structure and complexity of the group. However, we would ask for some harmonised criteria to ensure supervisory convergence.</p>	See comment 1385 above.	
1,394.	Munich RE	4.42.	<p>We support the idea that the calculation of a group governance capital add-on should be assessed on a case-by-case basis to reflect the structure and complexity of the group. However, we would ask for some harmonised criteria at Level 2 to ensure supervisory convergence.</p>	See comment 1385 above.	
1,395.	Pearl Group Life	4.42.	<p>There should be some harmonised criteria for the calculation of group capital add-ons.</p> <p>We support the idea that the calculation of a group governance capital add-on should be assessed on a case-by-case basis to reflect the structure and complexity of the group. However, we would ask for some harmonised criteria to ensure supervisory convergence.</p>	See comment 1385 above.	
1,396.			Confidential comment deleted	Noted	
1,397.	CEA, ECO-SLV-09-452	5.1.	We strongly support the aim of promoting a high degree of supervisory convergence in the use of a capital add-on.	Noted.	
1,398.	German Insurance Association	5.1.	We strongly support the aim of promoting a high degree of supervisory convergence in the use of a capital add-on.	Noted.	

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	- Gesamtverb and der D			
1,399.	Munich RE	5.1.	CEIOPS perspective of explicitly calling for a high level of harmonisation is strongly supported.	Noted.
1,400.	CEA, ECO-SLV- 09-452	5.2.	Ensuring supervisory convergence in the application of capital add-ons is crucial. We fully support the views given in this paragraph. We would propose adding an additional point: "f) publication by Ceiops of anonymous best practice on the application of capital add-ons".	Noted. Noted.
1,401.			Confidential comment deleted	Tbc at Level 3 Noted (principle based) Noted
1,402.	German Insurance Association - Gesamtverb and der D	5.2.	Ensuring supervisory convergence in the application of capital add-ons is crucial. We fully support the views given in this paragraph. We would propose adding an additional point: "f) publication by CEIOPS of anonymous best practice on the application of capital add-ons".	When it is possible to determine how capital add-ons should be applied in more detail, CEIOPS will provide Level 3 guidance on this issue.

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1,403.	Lloyd's	5.2.	We agree with the proposals. In addition, publication by CEIOPS of best practice on setting capital add-ons by supervisory authorities would be helpful and assist towards greater convergence of supervisory practices.	Noted.
1,404.	Munich RE	5.2.	Ensuring supervisory convergence in the application of capital add-ons is crucial.	Noted.
1,405.	Association of British Insurers	5.3.	We welcome the creation of capital add-on task force.	Noted.
1,406.				
1,407.				
1,408.				
1,409.			Confidential comment deleted	Noted
1,410.	CEA, ECO-SLV-09-452	5.3.	<p>We welcome the idea of setting tools in order to achieve consistency in the process of setting and calculating capital add-ons but we have a number of reservations.</p> <p>It would be important to establish a mechanism by which information is disseminated from the capital add-ons task force to the supervisors and to give some information at Level 2 on the tasks of the task force It could, for example, share best practices and analyse cases where supervisory authorities seem to diverge from the norm. Ceiops should not leave a few years before the creation of a task force. The task force should be set-up as soon as Solvency II is implemented and should promote supervisory convergence in the application of capital add-ons.</p>	<p>Noted.</p> <p>The tasks of the task force are outside the scope of the Level 2 implementing measures on capital add-ons. The task force would however not analyze individual cases – which would be subject to confidentiality anyway - but compare supervisory practices with a view to suggesting ways to harmonise them on a good practice level. In order to be able to do this some</p>

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				<p>experience with the use of the power to set capital add-ons is necessary.</p> <p>Any task force would be expected to prepare a report on its work that would involve input from supervisory authorities that in turn would receive the final report.</p>	
1,411.	CRO Forum	5.3.	<p>We welcome the efforts of CEIOPS to achieve consistency in the process of setting and calculating capital add-on. However we do not agree with CEIOPS I) leaving few years before the creation of a task force and ii) recommending this task force to not interfere directly with supervisory decisions about capital add-ons.</p> <p>This task force should be set-up as soon as possible and should interfere directly with supervisory decisions in order to ensure a level playing field since the beginning of the Solvency II application.</p>	<p>See comment 1410 above.</p> <p>The responsibility for setting capital add-ons rests with the supervisory authorities concerned and cannot be transferred to or shared with a task force.</p>	
1,412.	FFSA	5.3.	<p>FFSA welcomes the idea of setting tools in order to achieve consistency in the process of setting and calculating capital add-on. However FFSA does not agree with CEIOPS I) leaving few years before the creation of a task force and ii) recommending this task force to not interfere directly with supervisory decisions about capital add-ons. See comments on 3.259</p> <p>FFSA believes that this task force should be set-up as soon as possible and should interfere directly with supervisory decisions in order to ensure a level playing field since the beginning of the Solvency II application</p>	<p>See comments 1410 and 1411 above.</p>	
1,413.			Confidential comment deleted	Noted	
1,414.	German Insurance	5.3.	We welcome the idea of setting tools in order to achieve consistency in the process of setting and calculating capital add-ons	See comments 1410 and 1411 above.	

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	Association – Gesamtverb and der D		but we have a number of reservations. It would be important to establish a mechanism by which information is disseminated from the capital add-ons task force to the supervisors and to give some information at Level 2 on the tasks of the task force It could, for example, share best practices and analyse cases where supervisory authorities seem to diverge from the norm. CEIOPS should not leave a few years before the creation of a task force. The task force should be set-up as soon as Solvency II is implemented and should promote supervisory convergence in the application of capital add-ons.	
1,415.	Lloyd's	5.3.	The capital add-ons task force should be set up as soon as practicable to ensure a level playing field at the start of Solvency II implementation.	See comment 1410 above.
1,416.				
1,417.			Confidential comment deleted	Noted
1,418.	Groupe Consultatif	5.4.	We see no good reason why peer review should not be implemented from outset – it is an excellent way of developing understanding quickly.	A peer review requires the reviewers to have experience with the issue to be reviewed.
1,419.	CEA, ECO-SLV- 09-452	5.5.	Confidentiality of entity-specific data needs to be ensured if a common database is established.	CEIOPS agrees.
1,420.			Confidential comment deleted	Noted
1,421.	German Insurance Association – Gesamtverb and der D	5.5.	Confidentiality of entity-specific data needs to be ensured if a common database is established.	See comment 1419 above.

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1,422.	Lloyd's	5.5.	The confidentiality of entity-specific data needs to be maintained in the common database of information on capital add-ons to be established by CEIOPS.	See comment 1419 above.	
1,423.	Munich RE	5.5.	Confidentiality of entity-specific data needs to be ensured if a common database is established.	See comment 1419 above.	
1,424.	PricewaterhouseCoopers LLP	5.	We support the need to develop common practices in terms of capital add-ons particularly in the early years of implementation of Solvency II.	Noted.	
1,425.	Groupe Consultatif	Annex	3.52 / 3.94 (significant deviation): option 3 appears the most reasonable although some more details about the granularity and when the harmonized criteria will be provided are necessary.	Noted.	