

**Summary of Comments on Consultation Paper 59 - CEIOPS-CP-59/09**

**CEIOPS-SEC-122-09  
23.10.2009**

**CP No. 59 - L2 Advice on remuneration**

CEIOPS would like to thank AAS BALTA, AB Lietuvos draudimas, Association of British Insurers, Association of Run-off Companies, CEA, SMC-09-091, CRO Forum, Danish Insurance Association, DENMARK: Codan Forsikring A/S (10529638), Fédération Européenne des Conseillers et Intermédi, FFSA, German Insurance Association – Gesamtverband der D, GROUPAMA, Groupe Consultatif, International Underwriting Association of London, Legal General Group, Link4 Towarzystwo Ubezpieczeń SA, Lloyd's, Lucida plc, Munich RE, NORWAY: Codan Forsikring (Branch Norway) (991 502, Pacific Life Re, Pearl Group Limited, PricewaterhouseCoopers LLP, ROAM (Réunion des Organismes d'Assurance Mutuell, RSA Insurance Group PLC, RSA Insurance Ireland Ltd, RSA – Sun Insurance Office Ltd., and SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)

The numbering of the paragraphs refers to Consultation Paper No.59 (CEIOPS-CP-59/09)

No.	Name	Reference	Comment	Resolution
1.	AAS BALTA	General Comment	RSA Insurance Group (RSA) broadly supports the objectives and principles set out in the Consultation Paper. However, there are several areas whether further clarification is required.	Noted.
2.	AB Lietuvos draudimas	General Comment	RSA Insurance Group (RSA) broadly supports the objectives and principles set out in the Consultation Paper. However, there are several areas whether further clarification is required.	Noted.
3.	ACA – Association des Compagnies d'Assurances du	General Comment	<p>We fully agree with the view of CEIOPS and the CEA that the remuneration issues and related best practices should be an integral part of the governance of the insurance and reinsurance undertakings. As for the CEA, we believe, however, that:</p> <ol style="list-style-type: none"> <li>1. most all of the remuneration related issues raised by the financial crisis are already addressed by other proposed legislative and regulatory initiatives,</li> <li>2. most of the principles put forward by CEIOPS are merely “re-packaging” of ideas that have already been put forward in the other reports cited by CEIOPS and which are already the subject of concrete legislative and regulatory proposals in the course of being enacted,</li> <li>3. in this context, an additional report by CEIOPS with</li> </ol>	No changes to the draft advice necessary.

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			<p>recommendations applying only to insurance and reinsurance undertakings is not necessary and will only add complexity and confusion to an already complex situation – particularly for multinational insurance Groups with quoted parent holding companies that will be subject to numerous similar constraints across all the various jurisdictions where they operate,</p> <p>4. the purpose of the Solvency II directive and of the (re)insurance supervision is not to regulate, even on a principles-based approach, this specific matter. We also question the necessity of such a step in a context where, unlike the banking industry, very few insurance or reinsurance undertakings received public “bail-out” money during the financial crisis and there is no evidence to indicate that remuneration systems in the (re)insurance sectors were fundamentally flawed in any respect. We believe that a new set of principles by CEIOPS on a subject already more than sufficiently addressed will only increase the risk of ending up with a series of conflicting, incoherent and unworkable laws, rules, principles and recommendations.</p> <p>Consequently, we would recommend CEIOPS and the Commission not to issue any level 2 or level 3 implementing measures on remuneration.</p>	
4.	Association of British Insurers	General Comment	<p>The ABI welcomes CEIOPS’s decision to provide Level 2 advice on remuneration in the context of Solvency II.</p> <p>The current financial crisis has made clear that remuneration structures in certain parts of the financial services industry encouraged inappropriate risk-taking. Therefore, considering how remuneration structures can be modified to improve risk-management is a legitimate concern for regulators.</p> <p>However, it is clear that most of the problems in this area are centred on some parts of the banking industry and remuneration issues have not been a significant problem within insurers. We do not, therefore, believe that it would be appropriate to simply transfer requirements</p>	<p>Noted.</p> <p>CEIOPS fully acknowledges that the insurance industry has not experienced problems related to remuneration issues. This does however not preclude that remuneration issues could lead to comparable problems in the future if the issue is not addressed appropriately. Where</p>

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			<p>from the banking sector directly across to insurance. Any requirements on insurers should recognise both the different business model and THE lack of problems which have emerged within insurers.</p> <p>We, therefore, welcome the decision by CEIOPS to set out its advice in terms of a number of high-level principles. These should be sufficient to ensure sensible remuneration policies in insurers and we do not believe that these need to be supplemented with detailed provisions either at Level 2 or Level 3.</p> <p>The CP59 appears to assume that insurers are solo entities that employ their own staff. However, many insurers operate as groups which typically have service companies that employ their staff, and which typically determine remuneration policies at group level. It would therefore be helpful if the CEIOPS's advice was broadened explicitly embrace this type of group structure.</p>	<p>insurance undertakings already voluntarily have taken measures to ensure that the remuneration policy does not provide the wrong incentives, spelling out the specific requirements on Level 2 should not prove unduly burdensome for undertakings.</p> <p>The EU COM expressly requested that CEIOPS provide Level 2 advice on remuneration principles. CEIOPS does not consider its proposals to call for inadequately detailed provisions on Level 2.</p> <p>In case where they outsource functions or activities, undertakings remain fully responsible for compliance with the requirements as set out on Level 1 and specified on Level 2. Hence the fact that undertakings do not employ their own staff does not exempt them from ensuring that staff remuneration does not provide incentives for excessive risk taking.</p>
5.			Confidential comments deleted	
6.	CEA, SMC-09-091	General Comment	The CEA welcomes the principles-based approach adopted by Ceiops towards remuneration issues, as well as the fact that the topic is addressed using a sectoral approach with Level 2 implementing	Noted.

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		<p>measures.</p> <p>The CEA shares the view of Ceiops that remuneration issues and related best practices should be an integral part of the governance of insurance and reinsurance undertakings.</p> <p>Remuneration policy forms one part of an effective governance system. The system of governance includes the risk management function, the compliance function, the internal audit function and the actuarial function. In this respect, the remuneration policy issue seems already sufficiently treated by CP 33 (3.6), in light of Ceiops' intention to keep a principles-based approach.</p> <p>We are concerned that the present Ceiops draft advice is at times too far-reaching in the sense that it is proposing too detailed and burdensome requirements, for which the Solvency II Directive does not seem to provide sufficient legal basis, particularly with regard to dealing with an issue that is not directly linked to supervision in the strictest sense.</p> <p>The CEA is not convinced of the necessity of such a step in a context where, unlike the banking industry, very few insurance undertakings and no reinsurance undertakings received public "bail-out" money during the financial crisis and there is no evidence to indicate that remuneration systems in the (re)insurance sectors were fundamentally flawed in any respect.</p> <p>Furthermore, almost all of the remuneration related issues raised by the financial crisis are already addressed, or are in the process of being addressed, by other proposed legislative and regulatory initiatives. Most of the principles put forward by Ceiops in this paper are thus merely "re-packaging" of ideas that have already been proposed in the other reports cited by Ceiops.</p> <p>In this context, Ceiops should ensure that its envisaged additional detailed report and recommendations will not add complexity and confusion to an already complex situation, particularly for multinational insurance groups with quoted parent holding companies</p>	<p>Noted.</p> <p>CEIOPS considers its advice to be fully in line with a principles-based approach.</p> <p>Article 49 of the Level 1 text is sufficiently broad to provide for the introduction of specific risk management measures, such as an adequate remuneration policy, that do not require explicit expression in the Level 1 text.</p> <p>CEIOPS does not consider it appropriate to wait until potentially severe problem have manifested before measures are introduced to address them.</p> <p>CEIOPS does not purport to propose an innovative approach to remuneration. The purpose of Level 2 requirements on remuneration issues is not to introduce new ideas but to ensure harmonised requirements across all Member States.</p> <p>CEIOPS acknowledges that conflicting or incoherent rules on</p>
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		<p>that will be subject to numerous similar constraints across all the various jurisdictions in which they operate. Ceiops should pay particular attention that its new set of principles will not increase the risk of ending up with a series of conflicting, incoherent and unworkable laws, rules, principles and recommendations in the field of remuneration. It is of utmost importance therefore that there is coordination between these different initiatives.</p> <p>As regards the consultation paper itself, it claims to implement a remuneration policy for all employees and does not distinguish between the different groups when developing variable remuneration components. However, it is primarily the management body that deals with tasks which have a relevant impact on the risk profile of an undertaking. Personnel working in other activities generally deal with internal risks which have no external impact and are compensated by the risk management system.</p> <p>The CEA would also like to draw Ceiops' attention to the fact that its paper needs to reflect that undertakings are not completely free in deciding remuneration questions for the majority of their staff, as they need to stick to collective labour agreements in many cases.</p> <p>In Germany, for example, there is also mandatory codetermination for questions of remuneration. The so-called MaRisk (Minimum requirements of risk management) by the German supervisory authority (BaFin) stipulate merely minimum requirements for remuneration. If the Ceiops proposals were to be implemented in German stock companies, a special stock company law would also have to be created for insurance undertakings.</p> <p>Remuneration issues in Denmark are mainly regulated through different collective bargaining agreements on the labour market. It is therefore important that the Ceiops paper is flexible enough in order not to affect the different labour market models. This flexibility is incorporated into recital 7 of the preamble of the proposal for amending the Capital Requirements Directive, which states that the provisions on remuneration should be without prejudice to the rights</p>	<p>remuneration would lead to unnecessary complexity and confusion and make it difficult for undertakings to comply with all the requirements. Consequently CEIOPS has taken special care to ensure consistency with generally accepted principles for a good remuneration policy.</p> <p>CEIOPS has clarified that the requirement should only apply to personnel who are in a position to take decisions that result in material risks being entered into by the undertaking.</p> <p>CEIOPS advice concerns the part of the remuneration that is generally not subject to collective labour agreements.</p> <p>CEIOPS is aware of these requirements by the German supervisory authority. The wording of the advice was changed to avoid any inconsistency with current national company law.</p> <p>CEIOPS has added a clarification to the same effect to ensure that conflicting legal requirements on undertakings are avoided. This is however only to be on the safe side. CEIOPS considers that the remuneration rules in general are</p>
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			of social partners in collective bargaining.	unlikely to lead to such conflicts.
7.	CRO Forum	General Comment	<p>59.A Advice on remuneration is already addressed by other proposed legislative and regulatory initiatives (priority: high)</p> <p>The CRO Forum fully share the view of CEIOPS that the remuneration issues and related best practices should be an integral part of the governance of the insurance and reinsurance undertakings.</p> <p>The CRO Forum notes also that the remuneration related issues raised by the financial crisis are already addressed by other proposed legislative and regulatory initiatives and that the principles set out here have already been put forward in the other reports cited by CEIOPS. In particular, multinational insurance Groups with quoted parent holding companies will be subject to numerous similar constraints across all the various jurisdictions where they operate.</p> <p>As expressed in our comment on §3.54, we are worried with the statement that remuneration policy should take into account all individuals involved in risk-taking activities, which may imply to include every underwriter. Risk-taking at operational level should be considered as part of the governance structure since all policies underwritten will be driven by the underwriting policies. And we propose that the scope of the remuneration policy is limited to the administrative and management body members in scope of "fit and proper" as defined in the directive and consultation paper on system of governance (CP33).</p>	<p>Noted.</p> <p>The EU COM explicitly requested CEIOPS to provide Level 2 advice on remuneration issues as there is as yet no harmonised approach across Member States on remuneration issues with regard to insurance undertakings. Once the Level 2 remuneration requirements are in force these will supplant any conflicting national rules for insurance undertakings.</p> <p>CEIOPS has clarified that the requirements only apply to personnel who are able to take decisions resulting in material risks for the undertaking.</p>
8.	Danish Insurance Association	General Comment	<p>Remuneration issues are regulated through a number of different initiatives from the Commission, in changes to the Capital Requirements Directive (CRD) and now through a consultation paper from CEIOPS. It is of utmost importance that these many initiatives are coordinated and that is possible to adjust the general principles in the regulation to specific national systems and into the different legal structures of insurance companies across Europe.</p> <p>The principles in consultation paper 59 on remuneration issues seem flexible, fair and with reference to the suggested changes for the CRD</p>	<p>CEIOPS has aimed at the necessary consistency.</p> <p>See comment 6 above.</p>

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			<p>(KOM(2009) 362), likely to be introduced anyway. We believe that within insurance the employees affected by this regulation have individual contracts, i.e. they are to be found within investment or underwriting. The regulation still has to be flexible in order not to undermine the grounds on which the companies recruit and secure key employees. Should the regulation reach further than the individual contracts, it is essential that it is flexible enough to contain different labour market models such as the Danish model where remuneration issues are regulated through collective bargaining. The suggested changes for the Capital Requirements Directive have this flexibility given in preamble recital number 7.</p> <p>The regulation of remuneration should in the DIA's opinion be flexible in order to contain different types of regulation. Remuneration issues in Denmark are mainly regulated through different agreements on the labour market.</p>	
9.	DENMARK: Codan Forsikring A/S (10529638)	General Comment	RSA Insurance Group (RSA) broadly supports the objectives and principles set out in the Consultation Paper. However, there are several areas whether further clarification is required.	Noted.
10.	European Insurance CFO Forum	General Comment	<p>The CFO Forum is generally supportive of the views expressed in CP59 but does not consider insurance solvency regulation as an appropriate place to develop guidelines on remuneration.</p> <p>Level 2 implementing measures for Solvency II should be restricted to establishing high level principles requiring that remuneration be considered as part of good risk management in the business aligning culture and behaviour with an organisation's risk appetite.</p> <p>The CFO Forum believes that comprehensive guidelines on remuneration should be examined across the financial services sector as a whole in a level 1 Directive and that level 2 for Solvency II is an inappropriate place for such important requirements. However we note that they should take into consideration the different nature of business and remuneration systems between the banking and insurance industry.</p>	<p>Noted.</p> <p>The purpose of Level 2 implementing measures is generally to specify the high level principles set out on Level 1 and to provide for more detailed requirements as necessary. The high level principles suggested would be appropriate for the Level 1 text but are much too general for Level 2.</p> <p>In practice it makes no difference whether there is one directive on</p>

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				<p>remuneration for the financial services sector as a whole that takes into account the specificities of each sector or whether each sector has its own directive which is basically the same adjusted for sectoral specificities. It also is of no practical relevance whether the requirements are set out on Level 1 or Level 2; both Levels are equally binding. In drafting the advice CEIOPS has taken into consideration that the nature of the business in the banking and insurance industry is different but did not find that these difference justify any material differences in the remuneration requirements.</p>
11.	FFSA	General Comment	<p>FFSA would like to emphasize that nowhere in the Directive there is a clear reference about remuneration issues. We consider therefore that this CP is an unjustified interference in the company management, and FFSA believes that remuneration issues are not in the scope of Level 2 measures.</p> <p>Moreover, there is no reference in the Level 1 text to implementing measures on remuneration. Remuneration doesn't only have link with Risk Management but also with technicity and competencies of the experts, incentive for developing the business... Therefore the Remuneration policy also deals with these aspects. FFSA doesn't see why Level 2 measures about the Risk Management System would deal with the entire remuneration policy.</p> <p>FFSA fully shares the view of CEIOPS that the remuneration issues and related best practices should be an integral part of the governance of the insurance and reinsurance undertakings.</p>	<p>Level 2 measures on remuneration are covered by the required Level 2 measures on the system of governance in general and on risk management in particular according to Article 49. This article is sufficiently broad to allow for the introduction of requirements on issues that are not explicitly mentioned in the Level 1 text.</p> <p>The Level 2 advice does not deal with the entire remuneration policy but only addresses the remuneration policy insofar as it is relevant for risk management</p>



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			<p>We believe, however, that: (i) almost all of the remuneration related issues raised by the financial crisis are already addressed or in the process of being addressed by other proposed legislative and regulatory initiatives, (ii) most of the principles put forward by CEIOPS are merely "re-packaging" of ideas that have already been put forward in the other reports cited by CEIOPS and which are already the subject of concrete legislative and regulatory proposals in the course of being enacted, (iii) in this context, an additional report by CEIOPS with recommendations applying only to insurance and reinsurance undertakings is not necessary and will only add complexity and confusion to an already complex situation (particularly for multinational insurance Groups with quoted parent holding companies that will be subject to numerous similar constraints across all the various jurisdictions where they operate); (iv) the purpose of the Solvency II directive and of the (re)insurance supervision is not to regulate, even on a principles-based approach, this specific matter.</p> <p>We also question the necessity of such a step in a context where, unlike the banking industry, very few insurance or reinsurance undertakings received public "bail-out" money during the financial crisis and there is no evidence to indicate that remuneration systems in the (re)insurance sectors were fundamentally flawed in any respect. We believe that a new set of principles by CEIOPS on a subject already more than sufficiently addressed will only increase the risk of ending up with a series of conflicting, incoherent and unworkable laws, rules, principles and recommendations. Consequently, we urge CEIOPS and the Commission not to issue any level 2 or level 3 principles on remuneration.</p>	<p>purposes. Noted. See comments 6 and 8 above.</p> <p>See comments 4, 6 and 8 above.</p>
12.	German Insurance Association – Gesamtverband der D	General Comment	<p>The GDV generally welcomes the concept of a remuneration policy being in line with the risk profile and long-term interests of an undertaking.</p> <p>Nevertheless we are concerned about the overall approach adopted by CEIOPS towards remuneration policy. In addition to the CEA</p>	Noted.

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		<p>comments we would like to draw your attention to the following key-issues:</p> <ul style="list-style-type: none"> <li>- There are no reasons why the insurance sector should be treated the same as the banking sector. Banks and insurance companies have different business models, one dealing with money and credit, the other one with insuring risk and investing money in a sustainable way. As a result of the different business models, they have different risk management systems. "CEIOPS believes that the high-level principles of remuneration policies developed by CEBS are also generally applicable to the insurance sector" (1.6) is therefore the wrong approach.</li> <li>- The Solvency II Directive does not contain any provisions concerning remuneration policy. It just provides for minimum requirements for an effective governance system. Accordingly remuneration policy is sufficiently treated in CP 33 (3.6.). Requirements like "fixed and variable components should be appropriately balanced" (Principle 4), "other non-financial factors could be considered for individual performance measurement" (3.40) or "golden parachutes should be limited beforehand if not totally removed from compensation packages" (3.35) go beyond of what is required by the Directive.</li> <li>- Not only "several documents produced by different types of entities have been published since the financial market turbulence" (1.3), also legal action has been taken. In Germany the Law on Adequacy of Board of Management Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung – VorstAG) has come into force on 5 August 2009. It implements new requirements for the remuneration policy relating to the management board. The results of this new law should be awaited.</li> <li>- "The remuneration policy applies to the undertaking as a whole" (Principle 2) is the wrong approach when taking into account that most of the personnel does not have any impact on the risk profile of an undertaking.</li> </ul>	<p>From different business models and different risk management systems it does not necessarily follow that there cannot be good reasons to apply the same principles. CEIOPS' belief is that the high-level principles developed in the banking sector are generally applicable for the insurance sector based on CEIOPS' assessment that there are no insurance specificities that require a materially different treatment of remuneration issues in the insurance industry.</p> <p>This is not necessary as the directive in Article 49(1)(a) provides for the specification of elements of the system of governance and the risk management system which covers introducing additional requirements, such as remuneration requirements. While the directive does not <b>require</b> any Level 2 measures on remuneration at all, it allows for remuneration policy requirements.</p> <p>This new law does not address risk management aspects of the</p>
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			<p>- Internal transparency and external disclosure (Principle 6) just contain administrative burdens for the undertakings without having any decisive effect.</p>	<p>remuneration of the administrative or management body but only concerns the adequacy of the remuneration.</p> <p>External disclosure enables stakeholders to form an opinion on the undertaking's risk management measures and their appropriateness. Internal transparency provides for a certain degree of internal discipline as it makes it harder for undertakings to incentivise certain members of staff in a way that is not adequate. It also enables personnel to pay closer attention to possible connections between the behaviour of certain persons and their remuneration.</p>
13.	GROUPAMA	General Comment	<p>Groupama would like to emphasise that nowhere in the Directive do we have a clear reference about remuneration issues. We consider therefore that this CP constitutes unjustified interference in company management, and we think that remuneration issues are not within the scope of Level 2 measures.</p> <p>We question that the remuneration policy seems focused on risk management issues. We suggest that the scope of the remuneration policy include human resources matters. (3.53)</p> <p>We think that implementing a remuneration policy dealing with all employees involved in activities that involve risk-taking could be very burdensome. We suggest limiting the scope of this to top management. (3.54)</p>	<p>See comments 6 and 12 above.</p> <p>The fact that CEIOPS acknowledges that there are certain other aspects besides risk management that need to be considered by undertakings does not mean that the remuneration requirements interfere with these aspects.</p>

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14.	Groupe Consultatif	General Comment	Groupe Consultatif recognises the sense of what is set out in this paper, much of which already forms part of best management practice in insurance and other sectors. We do however have some concern regarding the potential involvement of supervisors in this area, which could inappropriately complicate interaction with undertakings. We wholeheartedly support the requirements for disclosure set out at 3.46, which ideally would be reinforced by some process which allowed key stakeholders (shareholders or, in the case of mutual undertakings, policyholders) to question and to express a view on remuneration policies.	Noted.  How the key stakeholders should react or can react to the disclosure is up to them to decide and depends on national law respectively. It is outside the scope of possible Level 2 measures to provide for a process to question remuneration policies.
15.	International Underwriting Association of London	General Comment	Subject to our other comments, we are generally supportive of the principles outlined in this consultation. However we do have some reservations relating to whether or not remuneration falls within the scope of Solvency II. Equally, we note this is an issue which is receiving a considerable amount of attention at a national level. If it is decided that remuneration should be dealt with under Solvency II, we would oppose the possibility for "gold-plating" at national level.	Noted.
16.	Legal General Group	General Comment	<p>We understand and broadly support the intent behind the proposals in the context of good governance. We agree that remuneration practices are a component of good risk management and that in developing this material CEIOPS should maintain a flexible approach, reflecting the risks of the insurance sector. If this guidance is intended to inform the Commission, then we believe principles of flexibility and proportionality are essential.</p> <p>That said, reflecting the position in the UK, we do not believe that specific measures are required for insurance undertakings. There has been no suggestion that the insurance sector has contributed to the current financial crisis through excessive risk taking. Equally, there is no confirmed evidence that remuneration policies are a fundamental contributor to the financial crisis.</p> <p>Central to this material, CEIOPS need to be clear what it means by 'remuneration policy'. By remuneration policy, we believe this to</p>	<p>Noted.</p> <p>See comment 4 above.</p> <p>"Remuneration policy" includes all</p>

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			mean the high level governance principles and overall approach to remuneration practices applicable to an undertaking as set by the Remuneration Committee. This should then be applied at a business unit and individual level in the development of remuneration schemes which may include bonus plans. Any other definition, in a large undertaking would make it very difficult to develop and apply in practice. For example, paragraph 3.44 – inclusion of 'criteria to enable employees to determine remuneration' is extremely broad and could not be practically covered in such a policy due to the likely diversity of roles across a business.	remuneration schemes applied in the undertaking.  The criteria referred to are general criteria that enable employees to broadly assess what they can expect by way of remuneration. The policy is not expected to be so detailed as to allow an exact calculation of what each employee has coming to them.
17.	Link4 Towarzystwo Ubezpieczeń SA	General Comment	RSA Insurance Group (RSA) broadly supports the objectives and principles set out in the Consultation Paper. However, there are several areas whether further clarification is required.	Noted.
18.	Lloyd's	General Comment	Lloyd's welcomes the opportunity to comment on CP59.  We note that the proposals set out in this paper have been prompted by the recent financial crisis. It is important to recognise that the crisis arose outside the insurance sector and has had limited impact on insurers. Although prudent and judicious remuneration policies are clearly desirable, the paper does not provide any evidence that insurers' existing approaches have created problems or are inherently unsatisfactory. Consequently, no real need for the proposals on remuneration is demonstrated. This appears to be a departure from the Commission's evidence-based approach to financial regulation and an attempt to apply to one sector (insurance) solutions considered appropriate to resolve problems in another sector (banking).  Having said that, Lloyd's is broadly supportive of CEIOPS' objectives as set out in this paper. We simply query whether there is a real need for these proposals, bearing in mind that the Framework Directive does not mention remuneration.  Our specific observations are set out below. In particular we consider	There is neither a need to conclusively prove that remuneration policies have played a role in the recent financial crisis nor is it necessary that any problems have manifested in the insurance sector specifically. Under an evidence-based approach it is sufficient that there is indication that remuneration policies could have an adverse effect on risk taking. That this is the case can hardly be denied.  See comments 6 and 12 above.

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			that the proposals set out must be applied on a proportionate basis, particularly with respect to those individuals employed by an undertaking who do not have material influence over its governance or risk taking.	CEIOPS has clarified that the requirements do not apply to such individuals.
19.	Lucida plc	General Comment	Lucida is a specialist UK insurance company focused on annuity and longevity risk business. We currently insure annuitants in the UK and the Republic of Ireland (the latter through reinsurance).	Noted.
20.	Munich RE	General Comment	<p>We fully support all of the GDV statements and would like to add the following points:</p> <p><b>SUGGESTED KEY MESSAGES:</b></p> <p>1. 59.A) Advice on remuneration is already addressed by other proposed legislative and regulatory initiatives (priority: high)</p> <p>The CRO Forum believes that the remuneration related issues raised by the financial crisis are already addressed by other proposed legislative and regulatory initiatives and that this paper will add complexity and confuse the reforms. The principles set out here have already been put forward in the other reports cited by CEIOPS. The CRO Forum does not believe the purpose of the Solvency II directive or of (re)insurance supervision is to regulate this matter. The CRO Forum recommends CEIOPS and the Commission not to issue any level 2 or level 3 implementing measures on remuneration.</p> <p>{Argument to be discussed: From a risk management perspective, the CRO should review remuneration policy to ensure that it is properly risk based and encourages responsible behaviour. This is within the realm of SII.}</p> <p><b>ORIGINAL WORKING GROUP GENERAL COMMENTS:</b></p> <p>We fully share the view of CEIOPS that the remuneration issues and related best practices should be an integral part of the governance of the insurance and reinsurance undertakings. We believe, however, that:</p>	<p>Noted.</p> <p>See comments 4 and 6 above.</p> <p>Noted.</p>

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		<p>1. most all of the remuneration related issues raised by the financial crisis are already addressed by other proposed legislative and regulatory initiatives,</p> <p>2. most of the principles put forward by CEIOPS are merely "re-packaging" of ideas that have already been put forward in the other reports cited by CEIOPS and which are already the subject of concrete legislative and regulatory proposals in the course of being enacted,</p> <p>3. in this context, an additional report by CEIOPS with recommendations applying only to insurance and reinsurance undertakings is not necessary and will only add complexity and confusion to an already complex situation – particularly for multinational insurance Groups with quoted parent holding companies that will be subject to numerous similar constraints across all the various jurisdictions where they operate;</p> <p>4. the purpose of the Solvency II directive and of the (re)insurance supervision is not to regulate, even on a principles-based approach, this specific matter. We also question the necessity of such a step in a context where, unlike the banking industry, very few insurance or reinsurance undertakings received public "bail-out" money during the financial crisis and there is no evidence to indicate that remuneration systems in the (re)insurance sectors were fundamentally flawed in any respect. We believe that a new set of principles by CEIOPS on a subject already more than sufficiently addressed will only increase the risk of ending up with a series of conflicting, incoherent and unworkable laws, rules, principles and recommendations.</p> <p>Consequently, we would recommend CEIOPS and the Commission not to issue any level 2 or level 3 implementing measures on remuneration.</p> <p>Beyond what has been mentioned above the allocation of responsibilities under mandatory German company law has more or</p>	<p>See comment 4 above.</p> <p>See comment 6 above.</p> <p>See comment 6 above.</p> <p>See comments 4 and 6 above.</p> <p>See comment 4 above.</p>
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		<p>less been totally disregarded:</p> <p>Principles 1, 2 and 3 provide for the creation of an appropriate remuneration arrangement that is related to risk and relevant for the Group as a whole. Account should be taken here of the different tasks and duties of management and other employees (insofar as they fulfil a risk-related function). The Annual General Meeting should be brought into play for those aspects relating to the remuneration of an advisory or management body. The Group-wide remuneration arrangement should be reviewed at least once a year by an internal committee, for example a remuneration committee, the majority being non-executive members of the governing body or Supervisory Board members.</p> <p>It should be pointed out here that it is mandatory under German stock company law for the remuneration of Supervisory Board members to be determined and, where necessary, regularly reviewed by the Annual General Meeting, the remuneration of Board members by the Supervisory Board, and that of other employees by the Board of Management. The actual allocation of responsibilities is also mandatory. Although the AGM determines the remuneration of the Supervisory Board, it is – also under the German Act on the Appropriateness of Executive Remuneration (VorstAG) (Section 120 para. 4 of the German Stock Companies) – entitled to cast a non-binding vote on the remuneration of Board members. It is the job of the Board of Management to determine the remuneration of the staff; the Supervisory Board monitors the management of the company by the Board of Management, and while it may express reservations concerning individual actions of the Board, it cannot itself approve such action. Consequently, there is a clear and mandatory separation of responsibilities.</p> <p>In particular a committee that comprises members of the Board of Management and the Supervisory Board, as seems to be considered, would not be permissible under German stock company law. If such a body were to adopt resolutions, they would be deemed null and void</p>	<p>The advice was changed to be consistent with national legal requirements.</p>
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			under mandatory rules of German stock company law.	
21.	NORWAY: Codan Forsikring (Branch Norway) (991 502)	General Comment	RSA Insurance Group (RSA) broadly supports the objectives and principles set out in the Consultation Paper. However, there are several areas whether further clarification is required.	Noted.
22.			Confidential comments deleted	
23.	Pearl Group Limited	General Comment	We are broadly happy with the Principles proposed but would appreciate further guidance on how these are to be implemented. In particular we would appreciate some indication of what level of staff this should apply to as we don't believe that these Principles necessarily apply to junior members of staff.	CEIOPS has clarified the scope of application.
24.	ROAM (Réunion des Organismes d'Assurance Mutuell)	General Comment	In a general way, ROAM considers that rules to supervise the undertaking's remuneration policy must be promulgated by the regulatory authority and thus do not have to come under measures of level 2, especially since this principle does not appear in level 1.  So, ROAM considers this CP is not justified and constitutes interference in the management of undertakings.	See comments 6 and 11 above.
25.	RSA Insurance Group PLC	General Comment	RSA Insurance Group (RSA) broadly supports the objectives and principles set out in the Consultation Paper. However, there are several areas whether further clarification is required.	Noted.
26.	RSA Insurance Ireland Ltd	General Comment	RSA Insurance Group (RSA) broadly supports the objectives and principles set out in the Consultation Paper. However, there are several areas whether further clarification is required.	Noted.
27.	RSA - Sun Insurance Office Ltd.	General Comment	RSA Insurance Group (RSA) broadly supports the objectives and principles set out in the Consultation Paper. However, there are several areas whether further clarification is required.	Noted.
28.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	General Comment	RSA Insurance Group (RSA) broadly supports the objectives and principles set out in the Consultation Paper. However, there are several areas whether further clarification is required.	Noted.

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29.	CEA, SMC-09-091	1.1.	There has been no excessive risk management failure induced by inappropriate remuneration incentives within insurance undertakings and there has been no remuneration problem in the insurance sector within the EU. The CEA agrees with Ceios that any measures implemented in the banking sector should not be applied to insurance without paying any attention to the different kinds of risks these sectors are exposed to. Any requirements on insurers should recognise both the different business model and the lack of problems which have emerged within insurers. See comment on Para 1.6.	Although the last financial crisis was not primarily caused by insurance companies, inappropriate remuneration is a general governance problem which cannot be reduced to the banking sector. Of course, the differences between the banking sector and the insurance sector have been taken into account where appropriate.
30.	International Underwriting Association of London	1.1.	Whilst we recognise that remuneration policies have received heightened focus since the onset of the financial crisis, we would like to emphasise that insurers' core underwriting function has not suffered significant losses and has generally not required government support, the size and structure of remuneration tends to be different to other financial services, and there appears to be no risk management deficiencies in the context of insurance operations. Furthermore, the difference in the nature of products of insurance and other financial services will by their very nature lead to different remuneration strategies. Therefore the adverse incentives presented by remuneration strategies will not necessarily be the same.	See comment 29 above.
31.	CEA, SMC-09-091	1.2.	Aside from the measures referred to in Para 1.4, many Member States have introduced new rules on board of management remuneration over the past few months (eg in Germany, the Law on Adequacy of Board of Management Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung - VorstAG)). (See the Report of the Council of the European Union dated 27 November 2008). The results of these measures, which are currently coming into force, should therefore be awaited. So far, there is no evident need for harmonising these measures at European level. However, if there were to be such a need, these measures should be very high level in the sense that they only state the principle of aligning	The setting up of different rules on board of management remuneration in several Member States shows the fundamental need of regulations in this area. Since the problem of wrong incentives by remuneration is one of the most prominent issues in the system of governance of the undertakings operating in the financial sector it should be

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			remuneration with the risk profile of an undertaking.	tackled in the context of the harmonisation of the governance requirements through the Solvency II regulatory framework.
32.	CEA, SMC-09-091	1.4.	<p>Remuneration is already addressed by other proposed legislative and regulatory initiatives.</p> <p>The remuneration-related issues raised by the financial crisis are already addressed by other proposed legislative and regulatory initiatives. Ceiops should pay close attention to this fact and ensure that its paper does not result in adding further complexity and thereby confuse the reforms.</p>	See comment 31 above.
33.	International Underwriting Association of London	1.4.	<p>We note that CEIOPS has cited ten publications on remuneration, including four from national authorities - therefore we would question whether there is any need for CEIOPS to deal with such remuneration governance in addition to national governance requirements. We would suggest that given that this is something which has received much focus at a national level, care must be taken to ensure that both CEIOPS' rules and the national rules in all relevant jurisdictions are compatible. Ideally there should be a clear distinction between who has responsibility for remuneration governance in the insurance sector and whether it needs to be dealt with at a national level, or at a European level, not least to avoid any possibility of conflict or disharmonisation. Furthermore, multinational groups that operate cross-border could have particular difficulties in this regard. We anticipate this could be one area where Member States could "gold-plate" Solvency II requirements, and thus present a possibility for disharmonisation.</p>	<p>See comment 31 above.</p> <p>The predictable problems of multinational groups that operate cross-border show the need of harmonisation.</p>
34.	CEA, SMC-09-091	1.6.	<p>See comment on Para 1.1. There are no reasons why the insurance sector should be treated the same as the banking sector and such reasons are not stated in this paper. Banks and insurance companies have different business models, one dealing with money and credit, the other with insuring risk and investing money in a sustainable way. As a result of the different business models, they have different</p>	See comment 29 above.

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			risk management systems. Furthermore, as there has been no remuneration problem in the insurance sector and no incentives are provided for incurring risks that are too high, equal treatment between the two sectors would not be justified.	
35.	Fédération Européenne des Conseillers et Intermédi	1.6.	We generally agree with this statement. FECIF and AILO have taken the initiative (see attachment) to publish a "Charter of Policyholder Protection Principles" jointly adopted by the Association of International Life Offices ("AILO") and the Fédération Européenne des Conseils et Intermédiaires Financiers ("FECIF") ( <a href="http://www.fecif.org/library/FECIF173.PDF">http://www.fecif.org/library/FECIF173.PDF</a> ) .	Noted.
36.	Lloyd's	1.6.	We do not agree that principles developed for the banking sector are necessarily appropriate for the insurance sector. The statement that CEBS' principles are generally applicable to the insurance sector requires justification.	See comment 29 above.
37.	CEA, SMC-09-091	1.7.	The extension of the recommendations issued by the European Commission in April 2009 to unlisted companies would not serve the aim of stabilising financial markets by implementing long-term remuneration policies. Moreover, in the past, concerning the question of remuneration of members of the company management, there has been a differentiation between listed and unlisted companies because of the different interests involved. There is no apparent reason why this differentiation should now be abandoned with regard to insurance companies. We do not see any reason why, for example, there should be a public interest to disclose the remuneration policy in unlisted undertakings because of the closed shareholder structure in these undertakings and the lack of interest. In the CP, no valid reasons for this are stated.	The problem of wrong incentives by the remuneration policy of an undertaking does not only concern listed companies as it is not only a matter of shareholders protection but moreover a matter of the protection of policyholders and beneficiaries.  Disclosure of the remuneration policy is not for the benefit of shareholders but for the benefit of all stakeholders as this is a risk management issue.
38.	Legal General Group	1.7.	Whilst we agree that control of remuneration practices is a matter of good governance, we do not see the need to formalise such arrangements for insurance undertakings and other firms not subject to the types of remuneration driven risk-taking at a macro level as experienced in investment banking.	See comment 29 above.

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39.	CEA, SMC-09-091	1.9.	See General Comment. The advice on remuneration in CP 33 seems sufficient.	See comment 29 above.
40.	CEA, SMC-09-091	1.10.	It is not clear how implementing measures on remuneration issues are supported by Article 49. Under Article 49 of the Framework Directive, implementing measures shall be adopted with respect to Article 41 (general governance), Article 42 (fit and proper requirements) and the functions referred to in Articles 43, 45 and 46. Article 41, in turn, sets out minimum requirements on general governance (i.e. transparent organisational structure, allocation of responsibilities, and transmission of information). Article 41 states that existing remuneration must not contradict effective and risk-oriented governance ("It shall include compliance with the requirements laid down in Articles 42 to 48") and merely stipulates minimum requirements. In contrast, the recommended risk-based remuneration structure is not considered to be a minimum requirement. The current CP, however, goes beyond setting criteria under which an existing remuneration scheme would contradict effective and risk-oriented governance. We are concerned that the present Ceiops draft advice is at times too far-reaching in the sense that it is proposing too detailed and burdensome requirements, for which the Solvency II Directive does not seem to provide sufficient legal basis.	The remuneration policy is considered as part of the system of governance according to Article 41.  The draft advice does not stipulate details for a proper remuneration policy but only sets up principles. It leaves enough room for undertakings to define their own remuneration policy.
41.	CEA, SMC-09-091	1.11.	See comments on Para 1.9 and 1.10.	See comment 40 above.
42.	International Underwriting Association of London	2.	The Level 1 text does not make any specific reference to remuneration issues, and therefore would question the precise legal basis of these proposed implementing measures. If insurance companies' remuneration policies are to be dealt with under Solvency II, we would have concerns regarding the national implementation of remuneration regulation for insurance companies, which might lead to disharmonisation. Similarly if the legal basis of remuneration policies is not clear, it might be prudent to rely on national	The remuneration policy is considered as part of the system of governance according to Article 41.  The setting up of different rules on board of management remuneration in several Member

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			regulations and the broader Risk Management requirements under Solvency II.	States shows the fundamental need of regulations in this area. Since the problem of wrong incentives by remuneration is one of the most prominent issues in the system of governance of the undertakings operating in the financial sector it should be tackled in the context of the harmonisation of the governance requirements through the Solvency II regulatory framework.
43.	AAS BALTA	3.1.	Whilst we recognise that inappropriate remuneration structures in some banks may have played a part in the economic downturn, there is no substitute for effective regulation, and there is a risk that the role of remuneration has been overstated. We would encourage CEIOPS to take a proportionate approach which encourages good risk management practices within firms, but which does not add unnecessary complexity to remuneration practices within firms.	The recent economic downturn and the role of inappropriate remuneration structures have only acted as a trigger for the current discussion on remuneration. They are not the motive for introducing harmonised requirements with regard to remuneration policies in the insurance sector. Remuneration policies in the financial sector can lead to excessive risk taking. This is sufficient reason to introduce requirements for them that ensure that remuneration policies do not set wrong incentives.
44.	AB Lietuvos draudimas	3.1.	Whilst we recognise that inappropriate remuneration structures in some banks may have played a part in the economic downturn, there is no substitute for effective regulation, and there is a risk that the role of remuneration has been overstated. We would encourage CEIOPS to take a proportionate approach which encourages good risk	See comment 43 above.

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			management practices within firms, but which does not add unnecessary complexity to remuneration practices within firms.	
45.	CEA, SMC-09-091	3.1.	The rules for undertakings receiving financial support cannot be extended to all undertakings.	CEIOPS does not suggest that rules that were introduced to cap the remuneration of personnel in undertakings receiving financial support be extended to all undertakings. The requirements with regard to the remuneration policy are about how remuneration is determined not about how much is to be paid.
46.	DENMARK: Codan Forsikring A/S (10529638)	3.1.	Whilst we recognise that inappropriate remuneration structures in some banks may have played a part in the economic downturn, there is no substitute for effective regulation, and there is a risk that the role of remuneration has been overstated. We would encourage CEIOPS to take a proportionate approach which encourages good risk management practices within firms, but which does not add unnecessary complexity to remuneration practices within firms.	See comment 43 above.
47.	International Underwriting Association of London	3.1.	As we noted in our response to Paragraph 1.1 above, generally speaking insurance operations have not required government support, and therefore we would caution against an automatic read-across of remuneration rules to the insurance sector.	See comment 29 above.
48.	Link4 Towarzystwo Ubezpieczeń SA	3.1.	Whilst we recognise that inappropriate remuneration structures in some banks may have played a part in the economic downturn, there is no substitute for effective regulation, and there is a risk that the role of remuneration has been overstated. We would encourage CEIOPS to take a proportionate approach which encourages good risk management practices within firms, but which does not add unnecessary complexity to remuneration practices within firms.	See comment 43 above.
49.	NORWAY: Codan Forsikring	3.1.	Whilst we recognise that inappropriate remuneration structures in some banks may have played a part in the economic downturn, there	See comment 43 above.

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	(Branch Norway) (991 502)		is no substitute for effective regulation, and there is a risk that the role of remuneration has been overstated. We would encourage CEIOPS to take a proportionate approach which encourages good risk management practices within firms, but which does not add unnecessary complexity to remuneration practices within firms.	
50.	RSA Insurance Group PLC	3.1.	Whilst we recognise that inappropriate remuneration structures in some banks may have played a part in the economic downturn, there is no substitute for effective regulation, and there is a risk that the role of remuneration has been overstated. We would encourage CEIOPS to take a proportionate approach which encourages good risk management practices within firms, but which does not add unnecessary complexity to remuneration practices within firms.	See comment 43 above.
51.	RSA Insurance Ireland Ltd	3.1.	Whilst we recognise that inappropriate remuneration structures in some banks may have played a part in the economic downturn, there is no substitute for effective regulation, and there is a risk that the role of remuneration has been overstated. We would encourage CEIOPS to take a proportionate approach which encourages good risk management practices within firms, but which does not add unnecessary complexity to remuneration practices within firms.	See comment 43 above.
52.	RSA - Sun Insurance Office Ltd.	3.1.	Whilst we recognise that inappropriate remuneration structures in some banks may have played a part in the economic downturn, there is no substitute for effective regulation, and there is a risk that the role of remuneration has been overstated. We would encourage CEIOPS to take a proportionate approach which encourages good risk management practices within firms, but which does not add unnecessary complexity to remuneration practices within firms.	See comment 43 above.
53.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.1.	Whilst we recognise that inappropriate remuneration structures in some banks may have played a part in the economic downturn, there is no substitute for effective regulation, and there is a risk that the role of remuneration has been overstated. We would encourage CEIOPS to take a proportionate approach which encourages good risk management practices within firms, but which does not add	See comment 43 above.



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			unnecessary complexity to remuneration practices within firms.	
54.	CEA, SMC-09-091	3.2.	See comments on Para 1.1 and 1.6.	See comments 29 and 34 above.
55.	CEA, SMC-09-091	3.3.	With regard to part b), the remuneration structure of a company only challenges the policyholders' interests if the company is at risk of insolvency or receives financial support from government. The relevant question should therefore be framed as follows:  "b) Does the remuneration structure put the financial stability of an undertaking at risk and therefore challenge the policyholders' interests?"	It is clear that the policyholders' interests are challenged if the financial stability of an undertaking is at risk but then it seems too late to start a discussion on the remuneration policy.
56.	CEA, SMC-09-091	3.4.	It is primarily the management body that deals with tasks which have a relevant impact on the risk profile of an undertaking. Personnel working in other activities generally deal with internal risks which have no external impact and are compensated by the risk management system. See also comment on Para 3.5.	Paragraphs 3.4. and 3.5. of CP 59 primarily refer to activities that have a significant impact on the risk profile of an undertaking.  There may also be specific remuneration arrangements for personnel in other activities which have no or no significant impact on the risk profile as long as these arrangements do not breach the basic principles of the overall remuneration policy.
57.	AAS BALTA	3.5.	RSA supports the statement that "the remuneration policy of an undertaking should be applied to its whole organisational structure..."	Noted.
58.	AB Lietuvos draudimas	3.5.	RSA supports the statement that "the remuneration policy of an undertaking should be applied to its whole organisational structure..."	Noted.
59.	CEA, SMC-09-091	3.5.	To implement rules on the whole organisational structure of an undertaking is unnecessarily burdensome without any positive effect, as staff that are not involved in any risk-taking activities cannot consequently trigger any unauthorised or unwanted risks which	See comment 56 above.

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			exceed the level of tolerated risks.	
60.	DENMARK: Codan Forsikring A/S (10529638)	3.5.	RSA supports the statement that "the remuneration policy of an undertaking should be applied to its whole organisational structure..."	Noted.
61.	Link4 Towarzystwo Ubezpieczeń SA	3.5.	RSA supports the statement that "the remuneration policy of an undertaking should be applied to its whole organisational structure..."	Noted.
62.	Lloyd's	3.5.	This paragraph implies that the provisions of this paper should be focused on individuals who have significant influence over an undertaking and on risk taking within the undertaking. As a remuneration policy should apply to an undertaking in "a proportionate and risk-based way" (3.54), we believe that a remuneration policy should have no material impact on arrangements for individuals not falling into these categories. We therefore question whether a "proportionate and risk-based" policy should be applied to an undertaking's whole organisational structure.	See comment 59 above.
63.	Lucida plc	3.5.	We agree that the principles need to accord with the other regulators' requirements for insurance companies remuneration, when those are published. This draft paper is not entirely in accordance with (for example) the FSA's published policy for banks and building societies (see later comments for specifics)	Noted. It is the other way round where regulators within the scope of Solvency II are concerned. Their requirements have to be brought in line with the requirements on remuneration the EU COM will set on Level 2.
64.	NORWAY: Codan Forsikring (Branch Norway) (991 502)	3.5.	RSA supports the statement that "the remuneration policy of an undertaking should be applied to its whole organisational structure..."	Noted.
65.			Confidential comments deleted	
66.	RSA Insurance Group PLC	3.5.	RSA supports the statement that "the remuneration policy of an undertaking should be applied to its whole organisational structure..."	Noted.

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67.	RSA Insurance Ireland Ltd	3.5.	RSA supports the statement that "the remuneration policy of an undertaking should be applied to its whole organisational structure..."	Noted.
68.	RSA - Sun Insurance Office Ltd.	3.5.	RSA supports the statement that "the remuneration policy of an undertaking should be applied to its whole organisational structure..."	Noted.
69.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.5.	RSA supports the statement that "the remuneration policy of an undertaking should be applied to its whole organisational structure..."	Noted.
70.	CEA, SMC-09-091	3.7.	The CEA is concerned that the Ceiops paper does not deal with remuneration policies for pension funds. Pension funds are direct competitors of insurers for occupational pension solutions. Treating insurance undertakings in isolation of the pension funds sector would result in an uneven-playing field, to the detriment of insurers, in terms of attracting and retaining skilled employees.	Level 1 does not include pension funds thus Level 2 cannot either.
71.	CEA, SMC-09-091	3.8.	See comment on Para 1.10.	See comment 40 above.
72.	CEA, SMC-09-091	3.9.	Contrary to the statement in this paragraph, there are hardly any insurance-specific aspects dealt with by the document.	CEIOPS amended the referred paragraph.
73.	AAS BALTA	3.10.	We are encouraged to see that CEIOPS is not proposing to interfere in the process of determining the level of remuneration to be applied by an undertaking.	Noted.
74.	AB Lietuvos draudimas	3.10.	We are encouraged to see that CEIOPS is not proposing to interfere in the process of determining the level of remuneration to be applied by an undertaking.	Noted.
75.	Association of British Insurers	3.10.	We welcome CEIOPS's assertion that it does not intend to interfere in the process of determining remuneration – this is the responsibility of management.	Noted.

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76.	CEA, SMC-09-091	3.10.	<p>The CEA welcomes Ceiops' statement that it does not intend to interfere in the process of determining the level of remuneration to be applied by an undertaking. However, we wish to point out that CP 59 would result in interfering with the freedom of contract because of its detailed rules (eg Principles 4 and 5), which in turn may have the effect of indirectly interfering with the determination of the level of remuneration.</p> <p>We suggest Ceiops incorporates the text of the FSA Remuneration code of practice (of 12 August): "...once capital is adequate and sustainable, the division of reward between shareholders and management is a matter for the firm and its shareholders to decide."</p>	<p>Noted.</p> <p>Non-interference in the level of remuneration only means that supervisors are concerned about how the remuneration is determined but not about how much it amounts to.</p> <p>Extract from FSA Remuneration code of practice do not include rules of remuneration structure which takes account the policyholders' interests and thus could not be incorporated to the text.</p>
77.	DENMARK: Codan Forsikring A/S (10529638)	3.10.	We are encouraged to see that CEIOPS is not proposing to interfere in the process of determining the level of remuneration to be applied by an undertaking.	Noted.
78.	Link4 Towarzystwo Ubezpieczeń SA	3.10.	We are encouraged to see that CEIOPS is not proposing to interfere in the process of determining the level of remuneration to be applied by an undertaking.	Noted.
79.	NORWAY: Codan Forsikring (Branch Norway) (991 502)	3.10.	We are encouraged to see that CEIOPS is not proposing to interfere in the process of determining the level of remuneration to be applied by an undertaking.	Noted.
80.	RSA Insurance Group PLC	3.10.	We are encouraged to see that CEIOPS is not proposing to interfere in the process of determining the level of remuneration to be applied by an undertaking.	Noted.
81.	RSA Insurance Ireland Ltd	3.10.	We are encouraged to see that CEIOPS is not proposing to interfere in the process of determining the level of remuneration to be applied by an undertaking.	Noted.

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82.	RSA - Sun Insurance Office Ltd.	3.10.	We are encouraged to see that CEIOPS is not proposing to interfere in the process of determining the level of remuneration to be applied by an undertaking.	Noted.
83.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.10.	We are encouraged to see that CEIOPS is not proposing to interfere in the process of determining the level of remuneration to be applied by an undertaking.	Noted.
84.	AAS BALTA	3.11.	We also support the focus that performance criteria have been given. However, we would encourage CEIOPS to confirm that non-financial performance metrics should also form a significant part of the performance assessment criteria. This should include goals and criteria relating to effective risk management practices.	CEIOPS has changed the text to underline that performance criteria include non-financial performance factors.
85.	AB Lietuvos draudimas	3.11.	We also support the focus that performance criteria have been given. However, we would encourage CEIOPS to confirm that non-financial performance metrics should also form a significant part of the performance assessment criteria. This should include goals and criteria relating to effective risk management practices.	See comment 84 above.
86.	CEA, SMC-09-091	3.11.	<p>We agree that performance criteria should provide the right incentives but we need to point out again that these criteria are already set out in CP 33: Remuneration policy should avoid potential incentives for unauthorised or unwanted risk taking, but should be in line with business strategy, risk profile and objectives of an undertaking. Details should be left to the undertaking, because only the management body of the specific undertaking knows which remuneration policy fits best to its whole business concept.</p> <p>Furthermore, the conflict of interest between the employees and the company seems too unspecific. A suggested new drafting is:</p> <p>"....., exacerbate excessive risk-taking behaviour and lead to potential conflicts of interest between the employees and the overall risk-management of the undertaking."</p> <p>(This second comment also applies to Para 3.19)</p>	<p>The advice only sets out some principles to be adhered to whereas the details of the remuneration policies are left to the undertaking.</p> <p>CEIOPS has changed the wording according to the suggestion.</p>

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87.	DENMARK: Codan Forsikring A/S (10529638)	3.11.	We also support the focus that performance criteria have been given. However, we would encourage CEIOPS to confirm that non-financial performance metrics should also form a significant part of the performance assessment criteria. This should include goals and criteria relating to effective risk management practices.	See comment 84 above.
88.	Link4 Towarzystwo Ubezpieczeń SA	3.11.	We also support the focus that performance criteria have been given. However, we would encourage CEIOPS to confirm that non-financial performance metrics should also form a significant part of the performance assessment criteria. This should include goals and criteria relating to effective risk management practices.	See comment 84 above.
89.	NORWAY: Codan Forsikring (Branch Norway) (991 502)	3.11.	We also support the focus that performance criteria have been given. However, we would encourage CEIOPS to confirm that non-financial performance metrics should also form a significant part of the performance assessment criteria. This should include goals and criteria relating to effective risk management practices.	See comment 84 above.
90.	Pricewaterhouse Coopers LLP	3.11.	It is the interaction between governance of remuneration, remuneration policy and determination of remuneration that is important. In particular, the governance of remuneration is critical and it is this issue that primary focus should be on.	Noted. CEIOPS believes that this idea is already conveyed in the Paper.
91.	RSA Insurance Group PLC	3.11.	We also support the focus that performance criteria have been given. However, we would encourage CEIOPS to confirm that non-financial performance metrics should also form a significant part of the performance assessment criteria. This should include goals and criteria relating to effective risk management practices.	See comment 84 above.
92.	RSA Insurance Ireland Ltd	3.11.	We also support the focus that performance criteria have been given. However, we would encourage CEIOPS to confirm that non-financial performance metrics should also form a significant part of the performance assessment criteria. This should include goals and criteria relating to effective risk management practices.	See comment 84 above.
93.	RSA - Sun Insurance Office	3.11.	We also support the focus that performance criteria have been given. However, we would encourage CEIOPS to confirm that non-financial	See comment 84 above.

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	Ltd.		performance metrics should also form a significant part of the performance assessment criteria. This should include goals and criteria relating to effective risk management practices.	
94.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.11.	We also support the focus that performance criteria have been given. However, we would encourage CEIOPS to confirm that non-financial performance metrics should also form a significant part of the performance assessment criteria. This should include goals and criteria relating to effective risk management practices.	See comment 84 above.
95.	AAS BALTA	3.12.	We broadly agree with the statement that "remuneration policies and schemes should be in line with strong risk control mechanisms." However, remuneration policies must primarily support the overarching business strategy.	CEIOPS has changed the text to include support of the overall business strategy as an objective.
96.	AB Lietuvos draudimas	3.12.	We broadly agree with the statement that "remuneration policies and schemes should be in line with strong risk control mechanisms." However, remuneration policies must primarily support the overarching business strategy.	See comment 95 above.
97.	CEA, SMC-09-091	3.12.	See comment on Para 3.11.	See comment 86 above.
98.	DENMARK: Codan Forsikring A/S (10529638)	3.12.	We broadly agree with the statement that "remuneration policies and schemes should be in line with strong risk control mechanisms." However, remuneration policies must primarily support the overarching business strategy.	See comment 95 above.
99.	Link4 Towarzystwo Ubezpieczeń SA	3.12.	We broadly agree with the statement that "remuneration policies and schemes should be in line with strong risk control mechanisms." However, remuneration policies must primarily support the overarching business strategy.	See comment 95 above.
100.	NORWAY: Codan Forsikring (Branch Norway) (991 502)	3.12.	We broadly agree with the statement that "remuneration policies and schemes should be in line with strong risk control mechanisms." However, remuneration policies must primarily support the overarching business strategy.	See comment 95 above.

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101.	RSA Insurance Group PLC	3.12.	We broadly agree with the statement that "remuneration policies and schemes should be in line with strong risk control mechanisms." However, remuneration policies must primarily support the overarching business strategy.	See comment 95 above.
102.	RSA Insurance Ireland Ltd	3.12.	We broadly agree with the statement that "remuneration policies and schemes should be in line with strong risk control mechanisms." However, remuneration policies must primarily support the overarching business strategy.	See comment 95 above.
103.	RSA - Sun Insurance Office Ltd.	3.12.	We broadly agree with the statement that "remuneration policies and schemes should be in line with strong risk control mechanisms." However, remuneration policies must primarily support the overarching business strategy.	See comment 95 above.
104.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.12.	We broadly agree with the statement that "remuneration policies and schemes should be in line with strong risk control mechanisms." However, remuneration policies must primarily support the overarching business strategy.	See comment 95 above.
105.	AAS BALTA	3.13.	As noted in our response to paragraph 3.11, assessment of performance should not be limited to financial performance and should also include non-financial metrics.	See comment 84 above.
106.	AB Lietuvos draudimas	3.13.	As noted in our response to paragraph 3.11, assessment of performance should not be limited to financial performance and should also include non-financial metrics.	See comment 84 above.
107.	CEA, SMC-09-091	3.13.	The word "performance" does not indicate if it means individual performance of the employee or the overall performance of the company. Suggested new drafting:  "...individual and company performance should be properly and comprehensively reflected in remuneration, ..."  See also comment on Para 3.11.	CEIOPS has changed the wording according to the suggestion.
108.	DENMARK: Codan Forsikring	3.13.	As noted in our response to paragraph 3.11, assessment of performance should not be limited to financial performance and	See comment 84 above.



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	A/S (10529638)		should also include non-financial metrics.	
109.	Link4 Towarzystwo Ubezpieczeń SA	3.13.	As noted in our response to paragraph 3.11, assessment of performance should not be limited to financial performance and should also include non-financial metrics.	See comment 84 above.
110.	NORWAY: Codan Forsikring (Branch Norway) (991 502)	3.13.	As noted in our response to paragraph 3.11, assessment of performance should not be limited to financial performance and should also include non-financial metrics.	See comment 84 above.
111.	RSA Insurance Group PLC	3.13.	As noted in our response to paragraph 3.11, assessment of performance should not be limited to financial performance and should also include non-financial metrics.	See comment 84 above.
112.	RSA Insurance Ireland Ltd	3.13.	As noted in our response to paragraph 3.11, assessment of performance should not be limited to financial performance and should also include non-financial metrics.	See comment 84 above.
113.	RSA - Sun Insurance Office Ltd.	3.13.	As noted in our response to paragraph 3.11, assessment of performance should not be limited to financial performance and should also include non-financial metrics.	See comment 84 above.
114.	SWEDEN: Trygg- Hansa Försäkrings AB (516401-7799)	3.13.	As noted in our response to paragraph 3.11, assessment of performance should not be limited to financial performance and should also include non-financial metrics.	See comment 84 above.
115.	Association of British Insurers	3.14.	We welcome CEIOPS's assertion that the existence of incentives to attract and retain skilled employees is a positive thing.	Noted.
116.	CEA, SMC-09-091	3.14.	We welcome Ceiops' assertion that the existence of incentives to attract and retain skilled employees is a positive thing. The incentives should not only attract skilled human resources, but should also be incentives for successful individual performance for employees. A suggested new drafting is:  "...human resources and their individual good performance in the company are positive things."	Noted. CEIOPS considers that the idea is clear and that there is no need for further amendments.

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117.	CEA, SMC-09-091	3.15.	The CEA agrees with this point, however Ceiops does not pay any attention to the proportionality principle itself, eg listed and unlisted companies are not treated separately.	CEIOPS believes that both, listed and unlisted companies are within the scope of remuneration requirements.
118.	AAS BALTA	3.17.	In our view, the more appropriate approach is to require firms to structure remuneration policy in a way that manages and mitigates the risk of manipulation as part of broader performance and risk management processes.	Noted. CEIOPS considers the management of the remuneration policy to be part of broader performance and risk management processes.
119.	AB Lietuvos draudimas	3.17.	In our view, the more appropriate approach is to require firms to structure remuneration policy in a way that manages and mitigates the risk of manipulation as part of broader performance and risk management processes.	Noted. See comment 118 above.
120.	CEA, SMC-09-091	3.17.	This point ignores the fact that avoidance of unwanted risk-taking is an issue of qualitative and quantitative limits, and any risk beyond the limit is unwanted. In this context, the limit system provides a much more effective way of handling risk-taking than remuneration policy.	Noted.  CEIOPS acknowledges that the internal limit system plays an important part in avoiding excessive risk taking. However, some of the people that should not be incentivised to excessive risk taking are the people deciding on the limits. And even risks within the limit may not always be in the best interest of the undertaking. Also not all risk taking can be effectively handled by limit setting.
121.	DENMARK: Codan Forsikring A/S (10529638)	3.17.	In our view, the more appropriate approach is to require firms to structure remuneration policy in a way that manages and mitigates the risk of manipulation as part of broader performance and risk management processes.	Noted. See comment 118 above.

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122.	Link4 Towarzystwo Ubezpieczeń SA	3.17.	In our view, the more appropriate approach is to require firms to structure remuneration policy in a way that manages and mitigates the risk of manipulation as part of broader performance and risk management processes.	Noted. See comment 118 above.
123.	NORWAY: Codan Forsikring (Branch Norway) (991 502)	3.17.	In our view, the more appropriate approach is to require firms to structure remuneration policy in a way that manages and mitigates the risk of manipulation as part of broader performance and risk management processes.	Noted. See comment 118 above.
124.	RSA Insurance Group PLC	3.17.	In our view, the more appropriate approach is to require firms to structure remuneration policy in a way that manages and mitigates the risk of manipulation as part of broader performance and risk management processes.	Noted. See comment 118 above.
125.	RSA Insurance Ireland Ltd	3.17.	In our view, the more appropriate approach is to require firms to structure remuneration policy in a way that manages and mitigates the risk of manipulation as part of broader performance and risk management processes.	Noted. See comment 118 above.
126.	RSA - Sun Insurance Office Ltd.	3.17.	In our view, the more appropriate approach is to require firms to structure remuneration policy in a way that manages and mitigates the risk of manipulation as part of broader performance and risk management processes.	Noted. See comment 118 above.
127.	SWEDEN: Trygg- Hansa Försäkrings AB (516401-7799)	3.17.	In our view, the more appropriate approach is to require firms to structure remuneration policy in a way that manages and mitigates the risk of manipulation as part of broader performance and risk management processes.	Noted. See comment 118 above.
128.	AAS BALTA	3.18.	We would ask CEIOPS to clarify the meaning of "long-term view". RSA is a pure general insurer and as such our view of the long-term will be somewhat different to composite and life insurers. Indeed, the view of the long-term may vary by business line. For this reason, we would encourage CEIOPS to take a pragmatic view to the definition of this term in order to ensure that it remains appropriate for all types of insurer and all classes of business.	Noted.  CEIOPS is aware that what constitutes long-term interests depends on the business of the undertaking concerned and clearly states that in the paper.

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129.	AB Lietuvos draudimas	3.18.	We would ask CEIOPS to clarify the meaning of "long-term view". RSA is a pure general insurer and as such our view of the long-term will be somewhat different to composite and life insurers. Indeed, the view of the long-term may vary by business line. For this reason, we would encourage CEIOPS to take a pragmatic view to the definition of this term in order to ensure that it remains appropriate for all types of insurer and all classes of business.	Noted. See comment 128 above.
130.	DENMARK: Codan Forsikring A/S (10529638)	3.18.	We would ask CEIOPS to clarify the meaning of "long-term view". RSA is a pure general insurer and as such our view of the long-term will be somewhat different to composite and life insurers. Indeed, the view of the long-term may vary by business line. For this reason, we would encourage CEIOPS to take a pragmatic view to the definition of this term in order to ensure that it remains appropriate for all types of insurer and all classes of business.	Noted. See comment 128 above.
131.	Legal General Group	3.18.	We recognise the importance of a long-term focus, but authorities also need to recognise that this may not be appropriate in all business areas and in all situations. In some circumstances, short term results may still be important. Equally, deferment and claw-back mechanisms may not always be appropriate or practical.	Noted. See comment 128 above.
132.	Link4 Towarzystwo Ubezpieczeń SA	3.18.	We would ask CEIOPS to clarify the meaning of "long-term view". RSA is a pure general insurer and as such our view of the long-term will be somewhat different to composite and life insurers. Indeed, the view of the long-term may vary by business line. For this reason, we would encourage CEIOPS to take a pragmatic view to the definition of this term in order to ensure that it remains appropriate for all types of insurer and all classes of business.	Noted. See comment 128 above.
133.	NORWAY: Codan Forsikring (Branch Norway) (991 502)	3.18.	We would ask CEIOPS to clarify the meaning of "long-term view". RSA is a pure general insurer and as such our view of the long-term will be somewhat different to composite and life insurers. Indeed, the view of the long-term may vary by business line. For this reason, we would encourage CEIOPS to take a pragmatic view to the definition of this term in order to ensure that it remains appropriate for all types	Noted. See comment 128 above.

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			of insurer and all classes of business.	
134.	Pricewaterhouse Coopers LLP	3.18.	It would be helpful if consideration could be given to providing guidance on the proportion of remuneration that should be focussed on long term performance and for whom this should apply.	CEIOPS believes that such guidance would be too prescriptive for a Level 2 advice.
135.	RSA Insurance Group PLC	3.18.	We would ask CEIOPS to clarify the meaning of "long-term view". RSA is a pure general insurer and as such our view of the long-term will be somewhat different to composite and life insurers. Indeed, the view of the long-term may vary by business line. For this reason, we would encourage CEIOPS to take a pragmatic view to the definition of this term in order to ensure that it remains appropriate for all types of insurer and all classes of business.	Noted. See comment 128 above.
136.	RSA Insurance Ireland Ltd	3.18.	We would ask CEIOPS to clarify the meaning of "long-term view". RSA is a pure general insurer and as such our view of the long-term will be somewhat different to composite and life insurers. Indeed, the view of the long-term may vary by business line. For this reason, we would encourage CEIOPS to take a pragmatic view to the definition of this term in order to ensure that it remains appropriate for all types of insurer and all classes of business.	Noted. See comment 128 above.
137.	RSA - Sun Insurance Office Ltd.	3.18.	We would ask CEIOPS to clarify the meaning of "long-term view". RSA is a pure general insurer and as such our view of the long-term will be somewhat different to composite and life insurers. Indeed, the view of the long-term may vary by business line. For this reason, we would encourage CEIOPS to take a pragmatic view to the definition of this term in order to ensure that it remains appropriate for all types of insurer and all classes of business.	Noted. See comment 128 above.
138.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.18.	We would ask CEIOPS to clarify the meaning of "long-term view". RSA is a pure general insurer and as such our view of the long-term will be somewhat different to composite and life insurers. Indeed, the view of the long-term may vary by business line. For this reason, we would encourage CEIOPS to take a pragmatic view to the definition of this term in order to ensure that it remains appropriate for all types of insurer and all classes of business.	Noted. See comment 128 above.

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139.	AAS BALTA	3.19.	We would note that the expectation of institutional shareholders is also a key consideration in a UK-based plc.	Noted.
140.	AB Lietuvos draudimas	3.19.	We would note that the expectation of institutional shareholders is also a key consideration in a UK-based plc.	Noted.
141.	Association of British Insurers	3.19.	We are in agreement with the overall approach. These principles reflect the current "best practices" in the area of remuneration. However, it is important that these principles remain guideposts or "best practices" and do not become fixed rules. The insurance industry is a broad sector containing businesses of all types, sizes, product lines and with differing risk profiles so detailed rules are not appropriate.	Noted. CEIOPS does not advocate detailed rules.
142.	CEA, SMC-09-091	3.19.	The avoidance of conflicts of interest between the employees and the undertaking as a whole is subject to employment law. There is no need to implement, under the heading of "corporate governance", far-reaching rules in other legal spheres which are not directly addressed by Solvency II (especially 3.19 f)).	CEIOPS considers any measures to avoid conflicts of interests as being part of the System of Governance requirements. Please refer to paragraph §3.25 of Consultation Paper no. 33 on the System of Governance.
143.	DENMARK: Codan Forsikring A/S (10529638)	3.19.	We would note that the expectation of institutional shareholders is also a key consideration in a UK-based plc.	Noted.
144.	Link4 Towarzystwo Ubezpieczeń SA	3.19.	We would note that the expectation of institutional shareholders is also a key consideration in a UK-based plc.	Noted.
145.	NORWAY: Codan Forsikring (Branch Norway) (991 502)	3.19.	We would note that the expectation of institutional shareholders is also a key consideration in a UK-based plc.	Noted.
146.	Pricewaterhouse Coopers LLP	3.19.	The interaction with corporate governance for listed companies (e.g. UK's Combined Code) and other regulatory requirements may affect on the approach to compensation for organisations in some	Noted. It is the intention of CEIOPS that the advice on Remuneration Issues is such that

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			territories.	it is generally consistent with Corporate Governance Codes.
147.	RSA Insurance Group PLC	3.19.	We would note that the expectation of institutional shareholders is also a key consideration in a UK-based plc.	Noted.
148.	RSA Insurance Ireland Ltd	3.19.	We would note that the expectation of institutional shareholders is also a key consideration in a UK-based plc.	Noted.
149.	RSA - Sun Insurance Office Ltd.	3.19.	We would note that the expectation of institutional shareholders is also a key consideration in a UK-based plc.	Noted.
150.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.19.	We would note that the expectation of institutional shareholders is also a key consideration in a UK-based plc.	Noted.
151.	CEA, SMC-09-091	3.20.	Referring to the whole organisational structure is not appropriate, and in doing so, Ceiops is targeting risks which are not triggered by employees. Risk-taking of employees is defined, and hence limited by, their field of responsibility and not their remuneration.	CEIOPS considers it clear from the paragraph that while the remuneration policy should apply to the whole organisational structure the part that is of interest from a risk management perspective is limited.
152.	Association of Run-off Companies	3.21.	<p>This paragraph states that certain functions (risk management, actuarial and compliance) should not be compensated in relation to the business areas they review. How this can be applied in practice is unclear. In particular, for a small company in run-off it would be difficult to identify in relation to say someone in compliance what constitutes a "business area that they review" (and which should therefore be excluded from the scope of remuneration) as that person's role is likely to relate to the whole business.</p> <p>We suggest, therefore, that appropriate exemptions (which may be of a specific or general nature) and/or clarifications are included to ensure that companies are treated in a proportionate and appropriate</p>	<p>To any of the material of CEIOPS advises the proportionality principle, where applicable, will apply.</p> <p>However, it is a general principle of Solvency II that qualitative requirements apply to every undertaking without exemptions. It is only the "how" that can be different owing to the principle of proportionality.</p>

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			fashion.	
153.	CEA, SMC-09-091	3.21.	The decisions as to how to deal with these different components of remuneration should be left to the individual employment contract.	The one (application of remuneration principles) does not exclude the other (employment contract).
154.			Confidential comments deleted	
155.	AAS BALTA	3.22.	We would ask CEIOPS to explain more fully the statement that "the undertaking needs to allow for [the] operational independence [of risk, actuarial and compliance functions] and ensure that they are not compensated in relation to the performance of the business areas they review". It is not clear how this will work in practice and we would instead suggest that, whilst the principal basis for compensation should be on the achievement of the objectives of those functions, recognition of the achievement of business objectives of the firm as a whole should not be precluded.	CEIOPS' advice in relation to the risk management function, the compliance function and the actuarial function, in order to allow for their operational independence, where the remuneration of these functions should ensure that they are not compensated in relation to performance of the business areas they review, does not preclude that the remuneration takes account of overall performance of the undertaking.  In any case, the advice was clarified regarding this specific aspect.
156.	AB Lietuvos draudimas	3.22.	We would ask CEIOPS to explain more fully the statement that "the undertaking needs to allow for [the] operational independence [of risk, actuarial and compliance functions] and ensure that they are not compensated in relation to the performance of the business areas they review". It is not clear how this will work in practice and we would instead suggest that, whilst the principal basis for compensation should be on the achievement of the objectives of those functions, recognition of the achievement of business objectives of the firm as a whole should not be precluded.	See comment 155 above.



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157.	Association of British Insurers	3.22.	The UK FSA recently amended Principle 3 guidelines in the Remuneration code to ensure that Risk/Compliance functions have metrics based "principally" on the achievement of these functions. The rationale for this change was to ensure that the remuneration of these functions is not divorced from the performance of the business. We believe this is the correct approach and strikes a better balance.	The proposal was taken into account. See comment 155 above.
158.	DENMARK: Codan Forsikring A/S (10529638)	3.22.	We would ask CEIOPS to explain more fully the statement that "the undertaking needs to allow for [the] operational independence [of risk, actuarial and compliance functions] and ensure that they are not compensated in relation to the performance of the business areas they review". It is not clear how this will work in practice and we would instead suggest that, whilst the principal basis for compensation should be on the achievement of the objectives of those functions, recognition of the achievement of business objectives of the firm as a whole should not be precluded.	See comment 155 above.
159.	Link4 Towarzystwo Ubezpieczeń SA	3.22.	We would ask CEIOPS to explain more fully the statement that "the undertaking needs to allow for [the] operational independence [of risk, actuarial and compliance functions] and ensure that they are not compensated in relation to the performance of the business areas they review". It is not clear how this will work in practice and we would instead suggest that, whilst the principal basis for compensation should be on the achievement of the objectives of those functions, recognition of the achievement of business objectives of the firm as a whole should not be precluded.	See comment 155 above.
160.	Lucida plc	3.22.	Again this section needs to be in line with other regulators' guidance. The specific requirements for risk management, actuarial and compliance functions appear to be more specific than (for example) FSA have been in their Banking policy and requirements (July 2009).	See comment 157 above.
161.	NORWAY: Codan Forsikring (Branch Norway) (991 502)	3.22.	We would ask CEIOPS to explain more fully the statement that "the undertaking needs to allow for [the] operational independence [of risk, actuarial and compliance functions] and ensure that they are not compensated in relation to the performance of the business areas	See comment 155 above.

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			they review". It is not clear how this will work in practice and we would instead suggest that, whilst the principal basis for compensation should be on the achievement of the objectives of those functions, recognition of the achievement of business objectives of the firm as a whole should not be precluded.	
162.	Pacific Life Re	3.22.	<p>We agree that careful consideration needs to be given to the remuneration incentives for risk management, actuarial and compliance functions. Remuneration for these areas should be designed to reflect their effectiveness in carrying out their respective functions and accordingly they should not be compensated solely "in relation to the performance of the business areas they review". However, that does not mean that their remuneration should be entirely unconnected with the "the performance of the business areas they review". If that were the case, in a small firm where those functions review the entire firm, their remuneration would be unconnected with the financial performance of the entire firm which would be commercially unacceptable and conflict with Principle 4 (in particular paragraph 3.33).</p> <p>Moreover designing a completely alternative incentive programme for functions like risk management itself creates the risk that they are incentivised to become "risk minimisers". That is because we do not see any quantitative or objective basis for an incentive programme that measures risks that have been avoided due to risk management intervention. If the programme is based solely on risk not materialising it would fail to distinguish between effective risk management and conduct which simply prevented risk from being taken. It would also likely introduce an adversarial relationship between risk managers and other employees.</p> <p>In our view the best way to incentivise risk managers and similar functions, particularly in a small firm which takes a collaborative rather than adversarial approach to risk management, is by a combination of qualitative and quantitative measures where the quantitative measures are aligned to risk adjusted returns.</p>	<p>See comment 155 above.</p> <p>On the application of the proportionality principle refer to comment 152.</p> <p>Noted.</p> <p>In CEIOPS' view the function holder mentioned should be rewarded based on the achievement of the objectives of these functions (see amended text §3.22). The objective of the risk management function should be good risk management not risk minimising. CEIOPS would agree that a remuneration policy based solely on risk not materialising would be as misguided as a policy that incentivises excessive risk taking.</p>

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			Therefore we advocate these functions participating in a collective pool with other employees. The major difference between risk managers and other staff should be the personal objectives by which individual performance is judged, with such judgment determining the share of the pool the individual actually receives. For example, the personal performance of a risk manager is likely to be assessed by subjective judgments regarding his or her effectiveness in that role and could be adversely impacted by the crystallisation, or near miss on crystallisation, of avoidable risks that he or she was responsible for mitigating.	
163.			Confidential comments deleted	
164.	RSA Insurance Group PLC	3.22.	We would ask CEIOPS to explain more fully the statement that "the undertaking needs to allow for [the] operational independence [of risk, actuarial and compliance functions] and ensure that they are not compensated in relation to the performance of the business areas they review". It is not clear how this will work in practice and we would instead suggest that, whilst the principal basis for compensation should be on the achievement of the objectives of those functions, recognition of the achievement of business objectives of the firm as a whole should not be precluded.	See comment 155 above.
165.	RSA Insurance Ireland Ltd	3.22.	We would ask CEIOPS to explain more fully the statement that "the undertaking needs to allow for [the] operational independence [of risk, actuarial and compliance functions] and ensure that they are not compensated in relation to the performance of the business areas they review". It is not clear how this will work in practice and we would instead suggest that, whilst the principal basis for compensation should be on the achievement of the objectives of those functions, recognition of the achievement of business objectives of the firm as a whole should not be precluded.	See comment 155 above.
166.	RSA - Sun Insurance Office Ltd.	3.22.	We would ask CEIOPS to explain more fully the statement that "the undertaking needs to allow for [the] operational independence [of risk, actuarial and compliance functions] and ensure that they are not	See comment 155 above.

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			compensated in relation to the performance of the business areas they review". It is not clear how this will work in practice and we would instead suggest that, whilst the principal basis for compensation should be on the achievement of the objectives of those functions, recognition of the achievement of business objectives of the firm as a whole should not be precluded.	
167.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.22.	We would ask CEIOPS to explain more fully the statement that "the undertaking needs to allow for [the] operational independence [of risk, actuarial and compliance functions] and ensure that they are not compensated in relation to the performance of the business areas they review". It is not clear how this will work in practice and we would instead suggest that, whilst the principal basis for compensation should be on the achievement of the objectives of those functions, recognition of the achievement of business objectives of the firm as a whole should not be precluded.	See comment 155 above.
168.	Groupe Consultatif	3.23.	A similar principle should be applied for the risk management function	The idea is generally the idea expressed in Principle 2.
169.	Legal General Group	3.23.	We agree with the statement that the remuneration of actuarial staff should not incentivise excessive risk taking or the underestimation of risk. Actuarial functions within business units will inevitably have some degree of their objectives linked to business performance as it would not be realistic to set misaligned objectives. However, we would expect there to be appropriate governance measures in place to ensure that actuarial roles within business units are not incentivised to act in a potentially inappropriate manner.	Noted.
170.	Lucida plc	3.23.	See above 3.22	See comment 160 above.
171.	CEA, SMC-09-091	3.24.	The question of responsibility for remuneration issues relating to management and administrative bodies belongs primarily to corporate law and is not a matter of supervisory law.	Although CEIOPS generally agrees with the statement, it also believes that an undertaking's system of governance should cover remuneration related-issues.

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172.	Association of British Insurers	3.25.	This response covers paragraphs 3.25 and 3.27. Many of our members are subsidiaries of US (and other non-EEA) companies. In these cases the oversight of remuneration practices at group level are governed and guided by the appropriate national law and regulatory bodies and this is reflected in group-wide remuneration structures. Thought needs to be given to how the EEA subsidiaries of such companies would apply the proposed Level 2 requirements – we would not favour rules which required such firms to set up additional arrangements for EEA subsidiaries – this would duplicate work already done in the group and be unnecessarily costly.	EEA subsidiaries of non-EEA companies are subject to the Solvency II requirements. This has to be taken into account when decisions are taken on group level alternatively additional arrangements have to be set up for EEA subsidiaries.
173.	CEA, SMC-09-091	3.25.	The definitions of the personnel in question are, first of all, not quite clear considering different company structures in different legal frameworks. Therefore, it must be possible to interpret a certain degree of flexibility within this consultation paper. Furthermore, it must be clear that in a two-tier system, the shareholders primarily approve the remuneration policy for the supervisory body.  This requirement can only apply to listed undertakings, if at all. We have reservations about involving the shareholders in the approval of the remuneration policy, if this would lead to a binding vote for the management. Unbinding approval of the remuneration policy by the shareholders is sufficient. Disapproval would cause enough scatter effect to the public. This is also in line with the recommendations of the European Commission dated 30 April 2009.	CEIOPS has changed the text to avoid inconsistencies with national laws.
174.	Danish Insurance Association	3.25.	The definitions of the personnel in question are first of all not quite clear considering different company structures in different legal frameworks. Therefore it must be possible to interpret a certain degree of flexibility into this consultation paper. Secondly it must be clear that in a two-tier system the shareholders primarily approve the remuneration policy for the supervisory body.	CEIOPS has changed the text to avoid inconsistencies with national laws.
175.	International Underwriting Association of	3.25.	We would expect that shareholder approval would only apply to listed companies. Furthermore, clarification in respect of its application to mutuals would be welcomed, for example, would policyholders be	CEIOPS has changed the text to avoid inconsistencies with national laws.

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	London		<p>require to have a role in the approval of such policies. We would also question whether shareholders are necessarily best placed to decide whether or not to approve a remuneration policy is in the long-term best interests of the business; as has been demonstrated recently, politics and sentiment can also play a role. Furthermore, in the UK at least, shareholders in listed companies have a non-binding vote on directors' remuneration. We would anticipate that if approval of the remuneration policy was deemed necessary, a similar non-binding vote would be sufficient. This has the benefit of giving shareholders a voice, whilst the executive retains the final say on a policy which it deems to be in the best long-term interests of the business. However, it would be a powerful tool, as ignoring shareholders wishes would undoubtedly be controversial, and ultimately might result in shareholders exercising other powers (such as the appointment, re-election or removal of directors).</p>	
176.	Legal General Group	3.25.	<p>With regard to the proposal that shareholders are involved in the approval of an organisations remuneration policy, we believe that it would be very difficult to implement such a control in practice. If a firm is of a significant scale to require an active remuneration committee and they are listed on a stockmarket, they are likely to have a very broad shareholder community. It is difficult to understand how and why involving them in the approval process of a remuneration policy would add significant value to effective governance.</p> <p>Annual reports and accounts already require disclosures surrounding remuneration within large organisations, so shareholders have access to such information without the need for formal involvement in the process.</p> <p>Placing such emphasis on involving shareholders in remuneration policies risks placing undue weight on one aspect of risk management at the expense of others.</p> <p>If the intent is to more heavily involve institutional investors, then this should be more explicitly stated, but again the feedback above</p>	CEIOPS has changed the text to avoid inconsistencies with national laws.

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			still applies.	
177.	CEA, SMC-09-091	3.26.	<p>We agree with Ceiops that a risk-based remuneration policy needs to be reviewed regularly to keep it up-to-date. However, we consider that the proposed requirements for a remuneration policy would excessively expand the scope of internal review, thus leading to additional bureaucratic burden.</p> <p>The proportion of the variable component may differ excessively according to the function of the employee. Therefore, it is suggested to draft this as follows:</p> <p>"..., as well as its proportion, should be assessed in line with the function of the employee."</p>	<p>A review that does not take into account the effectiveness of the remuneration policies in view of the undertaking's business strategy, risk profile, objectives, values and long-term entity-wide interests and performance would not be very efficient.</p> <p>The text does not imply that if there is a variable component it should be the same for all employees.</p>
178.			Confidential comments deleted	
179.			Confidential comments deleted	
180.	CEA, SMC-09-091	3.29.	See comment on Para 3.25. This can only apply to listed undertakings, if at all. Unlisted undertakings do not allow for such detailed regulation, due to their closed shareholder structure. We would like to stress that all previous recommendations of the European Commission dealing with remuneration issues refer to listed undertakings (recommendations dated 14 December 2004 and 30 April 2009). Furthermore, the approval of the shareholders should only be of an unbinding nature.	See comment 173 above.
181.	AAS BALTA	3.30.	We would ask CEIOPS to clarify the level of "expertise in the field of remuneration[s]" that should be demonstrated. Is it sufficient for a member of the Committee to have experience of sitting on other Remuneration Committees, and does this need to be supplemented by the use of external advisors?	CEIOPS has changed the text to "expertise in the field of risk management" to clarify this point. It is important to understand the connection between remuneration and behaviour. No external advisor is required.
182.	AB Lietuvos	3.30.	We would ask CEIOPS to clarify the level of "expertise in the field of	See comment 181 above.

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	draudimas		remuneration[s]" that should be demonstrated. Is it sufficient for a member of the Committee to have experience of sitting on other Remuneration Committees, and does this need to be supplemented by the use of external advisors?	
183.	Association of British Insurers	3.30.	It is not clear precisely what is intended here. If the intention is simply to make clear that the entity should employ qualified professionals in its human resources department then we agree with the point. However, if the intention is to require at least one members of the entity's Board remuneration committee to be an expert on remuneration issues then we disagree with the proposal – it is for a firm to determine the composition of its governing body.	The latter. But see also comment 181 above.
184.	DENMARK: Codan Forsikring A/S (10529638)	3.30.	We would ask CEIOPS to clarify the level of "expertise in the field of remuneration[s]" that should be demonstrated. Is it sufficient for a member of the Committee to have experience of sitting on other Remuneration Committees, and does this need to be supplemented by the use of external advisors?	See comment 181 above.
185.	Link4 Towarzystwo Ubezpieczeń SA	3.30.	We would ask CEIOPS to clarify the level of "expertise in the field of remuneration[s]" that should be demonstrated. Is it sufficient for a member of the Committee to have experience of sitting on other Remuneration Committees, and does this need to be supplemented by the use of external advisors?	See comment 181 above.
186.	Lucida plc	3.30.	It would be useful for there to be more guidance on what would be considered to be 'expertise in the field of remuneration'. This may be difficult for a small insurance company to achieve where there are a limited number of employees and directors to sit on a remuneration committee.	See comment 181 above.
187.	NORWAY: Codan Forsikring (Branch Norway) (991 502)	3.30.	We would ask CEIOPS to clarify the level of "expertise in the field of remuneration[s]" that should be demonstrated. Is it sufficient for a member of the Committee to have experience of sitting on other Remuneration Committees, and does this need to be supplemented by the use of external advisors?	See comment 181 above.



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188.	Pricewaterhouse Coopers LLP	3.30.	The critical skill set that is required is risk management. Input from the CRO should be factored into the design and calibration of incentive remuneration arrangements and the allocation of compensation to teams and individuals. The form of this input should be determined by each organisation but the remuneration committee, or other body ultimately responsible for remuneration, needs to have independent access to relevant information from the risk/ actuarial function.	See comment 181 above.
189.	RSA Insurance Group PLC	3.30.	We would ask CEIOPS to clarify the level of "expertise in the field of remuneration[s]" that should be demonstrated. Is it sufficient for a member of the Committee to have experience of sitting on other Remuneration Committees, and does this need to be supplemented by the use of external advisors?	See comment 181 above.
190.	RSA Insurance Ireland Ltd	3.30.	We would ask CEIOPS to clarify the level of "expertise in the field of remuneration[s]" that should be demonstrated. Is it sufficient for a member of the Committee to have experience of sitting on other Remuneration Committees, and does this need to be supplemented by the use of external advisors?	See comment 181 above.
191.	RSA - Sun Insurance Office Ltd.	3.30.	We would ask CEIOPS to clarify the level of "expertise in the field of remuneration[s]" that should be demonstrated. Is it sufficient for a member of the Committee to have experience of sitting on other Remuneration Committees, and does this need to be supplemented by the use of external advisors?	See comment 181 above.
192.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.30.	We would ask CEIOPS to clarify the level of "expertise in the field of remuneration[s]" that should be demonstrated. Is it sufficient for a member of the Committee to have experience of sitting on other Remuneration Committees, and does this need to be supplemented by the use of external advisors?	See comment 181 above.
193.	CEA, SMC-09-091	3.31.	In line with the principle of proportionality, it should be possible for SMEs to determine their bonus systems on the basis of simple criteria (eg turnover).	See comment 318 below.

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			Paras 3.31-3.43 do not pay due regard to the issue of freedom of contract. The freedom of collective wage agreements is also affected. There is no legal basis for such detailed regulation in the Directive (see comment on Para 1.10 and General Comment).	See comments 318, 6 and 40.
194.	Lloyd's	3.31.	<p>The proposal to ensure that basic remuneration is high enough (ie with the ability to pay no bonus) needs to be balanced with the possibility that this could cause an overall increase in the market cost of basic remuneration with respect to individuals in particular fields; this could increase costs for undertakings without necessarily improving the control of risk.</p> <p>With respect to individuals in risk-taking positions, if the variable element is minimal then the individual concerned may not be 'sufficiently concerned' about the risks they accept. A loss has no significant downside in terms of remuneration; if the result is a profit then the flexible component is not going to be significant. It is thus important to recognise that a bonus system can act as an incentive for staff to apply better standards of risk management.</p>	<p>This does not necessarily need to affect the level of remuneration at all as this is no requirement to increase the basic remuneration while keeping the bonus part the same.</p> <p>Noted.</p>
195.			Confidential comments deleted	
196.	CEA, SMC-09-091	3.32.	See comment on Para 3.31.	See comment 193 above.
197.	Pacific Life Re	3.32.	Share issues and stock-options are not available in the case of companies within a mutual structure. Mutual companies really have no choice but to make equivalent remuneration available in the form of cash. Provided that longer-term incentive plans are structured and work in a similar way to equivalent equity based incentives, they should not be prohibited merely because they are paid in cash.	Noted. The specific nature of mutuals will be taken into account.
198.			Confidential comments deleted	
199.	AAS BALTA	3.33.	We would highlight the potential legal difficulties in clawing back all or part of variable remuneration once it has been paid to an employee.	Noted. However the difficulties should not prevent the possibility of clawing back.

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200.	AB Lietuvos draudimas	3.33.	We would highlight the potential legal difficulties in clawing back all or part of variable remuneration once it has been paid to an employee.	See comment 199 above.
201.	Association of British Insurers	3.33.	We would be grateful for additional clarification on this. Our understanding of the proposals for the variable element of remuneration is that this should be deferred over a period consistent with the period of uncertainty over the final outcome - eg. if the business is short tail, say 2 years, then a 2-year deferral period is appropriate. Also, the conditions under which the deferred element can be paid should relate only to the initial business and not subsequent business. However, para. 3.33 seems to contradict this with the comment that if the situation of the undertaking "deteriorates significantly" then the bonus is not payable. This only seems consistent and reasonable in the circumstances of the undertaking becoming insolvent or undercapitalised and should not apply in the case of significantly poor performance in future years for reasons unrelated to the initial business written.	CEIOPS believes that there should be a case-by-case assessment.
202.	CEA, SMC-09-091	3.33.	See comment on Para 3.31.	See comment 193 above.
203.	DENMARK: Codan Forsikring A/S (10529638)	3.33.	We would highlight the potential legal difficulties in clawing back all or part of variable remuneration once it has been paid to an employee.	See comment 199 above.
204.	Link4 Towarzystwo Ubezpieczeń SA	3.33.	We would highlight the potential legal difficulties in clawing back all or part of variable remuneration once it has been paid to an employee.	See comment 199 above.
205.	NORWAY: Codan Forsikring (Branch Norway) (991 502)	3.33.	We would highlight the potential legal difficulties in clawing back all or part of variable remuneration once it has been paid to an employee.	See comment 199 above.
206.	Pacific Life Re	3.33.	We agree that clawback of incentives based on accounting misstatements should be permissible rather than mandatory. Rules regarding accounting restatements involve significant technical	CEIOPS believes that there should be a case-by-case assessment.

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			judgement and vary by jurisdiction. We do not believe they should automatically be applied to remuneration.	
207.			Confidential comments deleted	
208.	RSA Insurance Group PLC	3.33.	We would highlight the potential legal difficulties in clawing back all or part of variable remuneration once it has been paid to an employee.	See comment 199 above.
209.	RSA Insurance Ireland Ltd	3.33.	We would highlight the potential legal difficulties in clawing back all or part of variable remuneration once it has been paid to an employee.	See comment 199 above.
210.	RSA - Sun Insurance Office Ltd.	3.33.	We would highlight the potential legal difficulties in clawing back all or part of variable remuneration once it has been paid to an employee.	See comment 199 above.
211.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.33.	We would highlight the potential legal difficulties in clawing back all or part of variable remuneration once it has been paid to an employee.	See comment 199 above.
212.	AAS BALTA	3.34.	Please see comment above in response to paragraph 3.33.	See comment 199 above.
213.	AB Lietuvos draudimas	3.34.	Please see comment above in response to paragraph 3.33.	See comment 200 above.
214.	CEA, SMC-09-091	3.34.	See comment on Para 3.31.	See comment 193 above.
215.	DENMARK: Codan Forsikring A/S (10529638)	3.34.	Please see comment above in response to paragraph 3.33.	See comment 203 above.
216.	Link4 Towarzystwo Ubezpieczeń SA	3.34.	Please see comment above in response to paragraph 3.33.	See comment 204 above.
217.	Lucida plc	3.34.	Please expand or amend the wording 'Attention should be paid...'. Does this mean that such schemes (where long term arrangements may continue in place after an employee has left that employment)	It means that the undertaking should have in mind the positive or negative effects of this kind of

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			are encouraged or discouraged? It would seem appropriate for any payments to be discussed with a view to discontinuing them (with an appropriate true-up mechanism) when an employee leaves that employment.	schemes.
218.	NORWAY: Codan Forsikring (Branch Norway) (991 502)	3.34.	Please see comment above in response to paragraph 3.33.	See comment 205 above.
219.	Pricewaterhouse Coopers LLP	3.34.	It is unclear as to the purpose of this paragraph. It may be entirely appropriate to retain the link to the performance of the business for unvested awards after the employee has left the organisation service. Whilst this is not currently common practice it may be an appropriate response for those organisations with long-tailed liabilities.	See comment 217 above.
220.	RSA Insurance Group PLC	3.34.	Please see comment above in response to paragraph 3.33.	See comment 208 above.
221.	RSA Insurance Ireland Ltd	3.34.	Please see comment above in response to paragraph 3.33.	See comment 209 above.
222.	RSA - Sun Insurance Office Ltd.	3.34.	Please see comment above in response to paragraph 3.33.	See comment 210 above.
223.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.34.	Please see comment above in response to paragraph 3.33.	See comment 211 above.
224.	CEA, SMC-09-091	3.35.	See comment on Para 3.31.	See comment 193 above.
225.	Groupe Consultatif	3.35.	The comments in this and the following paragraph should be particularised to general management. Predefined termination arrangements can be a valuable safeguard of independence in respect of the governance functions specified in the Level 1 text.	CEIOPS objective is that the undertaking is aware of the positive or negative effects of this kind of schemes.

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226.	Pricewaterhouse Coopers LLP	3.35.	Whilst this is in line with remuneration best practice, it is unclear the purpose of this paragraph in the context of Solvency II.	It would not be conducive of good risk management if a risk taking individual was entitled to a very generous severance package irrespective of the quality of their performance.
227.	CEA, SMC-09-091	3.36.	See comment on Para 3.31.	See comment 193 above.
228.			Confidential comments deleted	
229.	AAS BALTA	3.37.	We question the merits of the broad-based practice of the payment of bonuses in instalments as this creates unnecessary administrative complexity and will be neither fair nor appropriate for the majority of employees. However, we support this process in exceptional circumstances (e.g. where business is long-term in nature) and in such cases RSA has structured bonus payments over a longer period than one year.	Noted.
230.	AB Lietuvos draudimas	3.37.	We question the merits of the broad-based practice of the payment of bonuses in instalments as this creates unnecessary administrative complexity and will be neither fair nor appropriate for the majority of employees. However, we support this process in exceptional circumstances (e.g. where business is long-term in nature) and in such cases RSA has structured bonus payments over a longer period than one year.	Noted.
231.	CEA, SMC-09-091	3.37.	See comment on Para 3.31.	See comment 193 above.
232.	DENMARK: Codan Forsikring A/S (10529638)	3.37.	We question the merits of the broad-based practice of the payment of bonuses in instalments as this creates unnecessary administrative complexity and will be neither fair nor appropriate for the majority of employees. However, we support this process in exceptional circumstances (e.g. where business is long-term in nature) and in	Noted.

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			such cases RSA has structured bonus payments over a longer period than one year.	
233.	International Underwriting Association of London	3.37.	We agree with the footnote and believe that any mechanism on bonus payments over a period of time should not unduly restrict the ability for workers to move between jobs. A workable system for long-tail business would be particularly challenging. As we noted in response to CP46, some very long tail business might not realise claims (and therefore not demonstrate their profitability and overall performance) in some cases for up to 50 years; clearly it would be unworkable to tie the bonus payments to the size of the "tail" applicable to the business. Furthermore we believe that care should be taken to ensure that the remuneration structure for different classes of business does not make some classes less appealing to work in than others, (which might be foreseeable if bonuses were deferred over a prolonged period of time for very long tail classes).	Noted. Taking the underlying risks into consideration does not mean that bonus payments should be deferred until all claims are realised.

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234.	Legal General Group	3.37.	<p>We accept that the principle of deferral is desirable, but also note the difficulty that CEIOPS has, itself, recognised in how to effectively apply it. Deferral is only likely to be viable for very senior roles and can only be applied in a practical sense where appropriate terms are created to deal with the scenarios related to moving role or firm while the deferred element is in place. If the period is too long, it is also likely to have a detrimental effect on behaviour and retention.</p> <p>One option, which may not be suitable for all firms, is to place any deferred element in an employee share bonus plan. This includes an element of risk adjustment (by virtue of market movements and analyst assessment of the relevant firm) and includes pre-defined rules regarding job movement.</p> <p>For sales related roles, persistency measures may also be a means of applying risk adjustment, but at present, deferral in sales remuneration is not commonplace.</p> <p>Finally, we would prefer not to be prescriptive in terms of considering the extent to which deferment is applied as different business units may use deferment for different purposes. For example, it is more commonly used as a retention tool.</p>	Noted. See comment 233 above.
235.	Link4 Towarzystwo Ubezpieczeń SA	3.37.	<p>We question the merits of the broad-based practice of the payment of bonuses in instalments as this creates unnecessary administrative complexity and will be neither fair nor appropriate for the majority of employees. However, we support this process in exceptional circumstances (e.g. where business is long-term in nature) and in such cases RSA has structured bonus payments over a longer period than one year.</p>	Noted.
236.	NORWAY: Codan Forsikring (Branch Norway) (991 502)	3.37.	<p>We question the merits of the broad-based practice of the payment of bonuses in instalments as this creates unnecessary administrative complexity and will be neither fair nor appropriate for the majority of employees. However, we support this process in exceptional circumstances (e.g. where business is long-term in nature) and in such cases RSA has structured bonus payments over a longer period</p>	Noted.



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			than one year.	
237.			Confidential comments deleted	
238.	Pricewaterhouse Coopers LLP	3.37.	It would be helpful if guidance could be given to the meaning of "a major part of a significant bonus".	Taking into account that Solvency II regime is principle-based CEIOPS does not want to create detailed definitions.
239.	RSA Insurance Group PLC	3.37.	We question the merits of the broad-based practice of the payment of bonuses in instalments as this creates unnecessary administrative complexity and will be neither fair nor appropriate for the majority of employees. However, we support this process in exceptional circumstances (e.g. where business is long-term in nature) and in such cases RSA has structured bonus payments over a longer period than one year.	Noted.
240.	RSA Insurance Ireland Ltd	3.37.	We question the merits of the broad-based practice of the payment of bonuses in instalments as this creates unnecessary administrative complexity and will be neither fair nor appropriate for the majority of employees. However, we support this process in exceptional circumstances (e.g. where business is long-term in nature) and in such cases RSA has structured bonus payments over a longer period than one year.	Noted.
241.	RSA - Sun Insurance Office Ltd.	3.37.	We question the merits of the broad-based practice of the payment of bonuses in instalments as this creates unnecessary administrative complexity and will be neither fair nor appropriate for the majority of employees. However, we support this process in exceptional circumstances (e.g. where business is long-term in nature) and in such cases RSA has structured bonus payments over a longer period than one year.	Noted.
242.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.37.	We question the merits of the broad-based practice of the payment of bonuses in instalments as this creates unnecessary administrative complexity and will be neither fair nor appropriate for the majority of employees. However, we support this process in exceptional	Noted.

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			circumstances (e.g. where business is long-term in nature) and in such cases RSA has structured bonus payments over a longer period than one year.	
243.			Confidential comments deleted	
244.	CEA, SMC-09-091	3.38.	See comment on Para 3.31.	See comment 193 above.
245.	Legal General Group	3.38.	See 3.37.	See comment 234 above.
246.	Pacific Life Re	3.38.	<p>We agree that life assurance can be very different from general insurance and particularly other financial services firms like banks and broker dealers which have been the subject of intense political and regulatory scrutiny in recent months.</p> <p>We do not believe that long-term insurance is susceptible to the sort of misalignment of incentives between employees and stakeholders where excessive risk taking within a single accounting period is encouraged due to the slow emergence of profit from long-term risks. If anything there is a greater chance of good performance (such as writing profitable business or implementing agreed strategies) not having sufficient impact results within the current year to sufficiently incentivise successful management actions because a large part of those results will be based on underwriting decisions made in prior years by previous management. This spreading of results means that risk takers within the firm will naturally have time horizons that are aligned with other stakeholders. Decisions and risks taken this year will affect this year's performance but also performance for years to come. Similarly management actions to maximise financial performance of the in-force block will also be significant (whether or not those individuals were responsible for writing the business in question).</p>	Noted.
247.	CEA,	3.39.	The issue of how to exercise judgement should be left to each undertaking. This applies particularly to the consideration of non-	Noted. How undertakings exercise judgement is subject to

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	SMC-09-091		financial factors for individual performance measurement.	supervisory assessment.
248.	Pacific Life Re	3.39.	We agree that non-financial elements should be an important part of any individual's remuneration. As stated in response to paragraph 3.22 we see this as the most appropriate method to distinguish between different functions provided that the underlying financial metrics are sufficiently risk-based and long-term.	See comment 162 above. Principle 5 was updated accordingly.
249.			Confidential comments deleted	
250.	AAS BALTA	3.40.	We strongly support the proposal to reflect non-financial objectives in the determination of individual performance.	Noted.
251.	AB Lietuvos draudimas	3.40.	We strongly support the proposal to reflect non-financial objectives in the determination of individual performance.	Noted.
252.	CEA, SMC-09-091	3.40.	See comment on Para 3.31 and 3.39.	See comments 193 and 247 above.
253.	DENMARK: Codan Forsikring A/S (10529638)	3.40.	We strongly support the proposal to reflect non-financial objectives in the determination of individual performance.	Noted.
254.	Groupe Consultatif	3.40.	Employees in the structure of corporate governance (risk management, internal control, principally internal audit and actuarial functions) should not be remunerated on financial performance factors to any material extent, but principally on non-financial performance factors	CEIOPS supports the view that, at least for employees involved in activities that involve significant risk-taking, which might include the "key functions", the variable part of remuneration should take as a basis the non-financial performance of the individuals and the areas to which they belong.
255.	Link4 Towarzystwo Ubezpieczeń SA	3.40.	We strongly support the proposal to reflect non-financial objectives in the determination of individual performance.	Noted.

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256.	NORWAY: Codan Forsikring (Branch Norway) (991 502)	3.40.	We strongly support the proposal to reflect non-financial objectives in the determination of individual performance.	Noted.
257.	RSA Insurance Group PLC	3.40.	We strongly support the proposal to reflect non-financial objectives in the determination of individual performance.	Noted.
258.	RSA Insurance Ireland Ltd	3.40.	We strongly support the proposal to reflect non-financial objectives in the determination of individual performance.	Noted.
259.	RSA - Sun Insurance Office Ltd.	3.40.	We strongly support the proposal to reflect non-financial objectives in the determination of individual performance.	Noted.
260.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.40.	We strongly support the proposal to reflect non-financial objectives in the determination of individual performance.	Noted.
261.	CEA, SMC-09-091	3.41.	See comment on Para 3.31 and 3.39.	See comments 193 and 247 above.
262.	CEA, SMC-09-091	3.42.	See comment on Para 3.31 and 3.39.	See comments 193 and 247 above.
263.	AAS BALTA	3.43.	We do not support the prescriptive, sole use of a risk-adjusted return measure. It is essential that performance measures are aligned to the business strategy and should be a matter for the business and the remuneration committee to determine.	CEIOPS agrees that the undertaking's remuneration policy should be aligned with its business strategy, as stated in Principle 1. However, it also believes that when the variable part of remuneration depends on financial performance, for the classes of employees referred to in paragraph §3.43 (i.e. members of the administrative or

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				management body, holders of key functions, senior management, and personnel undertaking activities that involve significant risk-taking) the return measure has to be aligned with the risks at stake, in order to prevent perverse incentives.
264.	AB Lietuvos draudimas	3.43.	We do not support the prescriptive, sole use of a risk-adjusted return measure. It is essential that performance measures are aligned to the business strategy and should be a matter for the business and the remuneration committee to determine.	See comment 263 above.
265.	CEA, SMC-09-091	3.43.	See comment on Para 3.31 and 3.39.	See comments 193 and 247 above.
266.	DENMARK: Codan Forsikring A/S (10529638)	3.43.	We do not support the prescriptive, sole use of a risk-adjusted return measure. It is essential that performance measures are aligned to the business strategy and should be a matter for the business and the remuneration committee to determine.	See comment 263 above.
267.	Legal General Group	3.43.	We believe that there are likely to be practical difficulties with measuring and applying cost of capital and liquidity measures to individual roles. This requires a firm to define these measures and to be able to proactively monitor them at individual level.  'Personnel undertaking activities that involve risk taking' is also very broad and, based on these proposals, may require assessment of liquidity at a much more junior level than is viable or proportionate.	As stated in Principle 5, the adjustment for current and future risks to be applied in the measurement of performance should take into account the undertaking's (overall) risk profile, and not only the exposure of a particular individual or of a specific role.  The risk-adjustment required is a <b>general</b> measure to be considered for <b>specific</b> classes of personnel, such as the members of the administrative or

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				management body, holders of key functions, senior management, and personnel undertaking activities that involve significant risk-taking.
268.	Link4 Towarzystwo Ubezpieczeń SA	3.43.	We do not support the prescriptive, sole use of a risk-adjusted return measure. It is essential that performance measures are aligned to the business strategy and should be a matter for the business and the remuneration committee to determine.	See comment 263 above.
269.	NORWAY: Codan Forsikring (Branch Norway) (991 502)	3.43.	We do not support the prescriptive, sole use of a risk-adjusted return measure. It is essential that performance measures are aligned to the business strategy and should be a matter for the business and the remuneration committee to determine.	See comment 263 above.
270.			Confidential comments deleted	
271.	Pricewaterhouse Coopers LLP	3.43.	The Committee may wish to expand the range of risks that should be considered in determining both individual bonus amounts and group-wide bonus pools, including those risks that are difficult to quantify (e.g. reputational) where judgement would need to be applied.	The objective is that, while measuring performance, the undertaking takes into account its risk profile and its risk strategy. Hence, it is up to the undertaking whether such risks – as reputational risk – should or not be considered.
272.	RSA Insurance Group PLC	3.43.	We do not support the prescriptive, sole use of a risk-adjusted return measure. It is essential that performance measures are aligned to the business strategy and should be a matter for the business and the remuneration committee to determine.	See comment 263 above.
273.	RSA Insurance Ireland Ltd	3.43.	We do not support the prescriptive, sole use of a risk-adjusted return measure. It is essential that performance measures are aligned to the business strategy and should be a matter for the business and the remuneration committee to determine.	See comment 263 above.
274.	RSA - Sun	3.43.	We do not support the prescriptive, sole use of a risk-adjusted return	See comment 263 above.

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	Insurance Office Ltd.		measure. It is essential that performance measures are aligned to the business strategy and should be a matter for the business and the remuneration committee to determine.	
275.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.43.	We do not support the prescriptive, sole use of a risk-adjusted return measure. It is essential that performance measures are aligned to the business strategy and should be a matter for the business and the remuneration committee to determine.	See comment 263 above.
276.	CEA, SMC-09-091	3.44.	<p>We recognise the need for appropriate disclosure but believe that the existing requirements appear sufficient for the insurance sector.</p> <p>The proposed Ceiops guidelines to make the remuneration policy accessible to all employees and stakeholders are neither appropriate nor necessary. If all employees had access to the relevant remuneration policy, it would no longer be possible for companies to take the individual circumstances of their employees as a basis for their contract and salary arrangements. This is neither in the interest of the employer, nor the employee. Furthermore, according to the proposal, the confidentiality of such HR-data must be respected in any case. It is doubtful how this could be ensured because Ceiops requires the disclosure to be made in a clear and easily understandable way.</p> <p>Moreover, this would cause considerable administrative burdens, particularly for SMEs.</p>	<p>The disclosure will be on the structure rather than on individuals. Exceptions for certain unique positions might occur.</p> <p>A remuneration policy does not contain the remuneration arrangements of individual staff.</p>
277.	Legal General Group	3.44.	We believe this would be better worded to say "The remuneration policy should be accessible to all employees and should explain the overall approach to remuneration practices across the business." The overarching appraisal process should be properly documented and transparent to employees."	See comment 276 above.
278.			Confidential comments deleted	
279.	CEA, SMC-09-091	3.45.	We believe that this statement is contradictory. It is unclear how confidentiality can be respected, while at the same time disclosing information on the remuneration policy to external stakeholders.	See comment 276 above.

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			<p>Disclosure of the remuneration policy applying to the whole undertaking does not make any sense. Disclosure of the remuneration of the management body (in listed companies) would be sufficient. Moreover, this would again cause considerable administrative burdens, particularly for SMEs.</p> <p>Transparency must not lead to a situation where the achievements of the individual and the resulting remuneration are transparent for other persons besides the employer and respective employee, and an internal supervisor (if necessary). Otherwise, transparency will lead to an infringement of personal rights and accepted conventions of good personnel management.</p>	
280.			Confidential comments deleted	
281.	CEA, SMC-09-091	3.46.	<p>The demands for disclosure are substantial and can result in a conflict with general confidentiality provisions.</p> <p>A solution could be to refer to rules or guidelines on disclosure, eg in IFRS. Additionally, it ought to be unnecessary to disclose information that is already available in the annual report.</p>	See comment 276 above.
282.	Danish Insurance Association	3.46.	<p>The demands for disclosure are substantial and can result in a conflict with general confidentiality provisions. A solution could be to refer to rules or guidelines on disclosure in i.e. IFRS. Secondly it ought to be unnecessary to disclose information that is already available in the annual report.</p>	See comment 276 above.
283.	Lloyd's	3.46.	<p>We do not agree with this proposal. Detailed disclosure requirements such as these impose costly and onerous burdens on undertakings and should not be implemented without proper justification.</p>	Noted.
284.	Pricewaterhouse Coopers LLP	3.46.	<p>This should not be restricted to long term compensation but should include short term compensation (e.g. annual bonus)</p>	CEIOPS does not consider that it is necessary to disclose individual amounts of remuneration – which could raise confidentiality issues – to enable stakeholders to evaluate the incentive effect of



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				the remuneration policy.
285.	CEA, SMC-09-091	3.47.	Given that the supervisory authority is responsible for the review of the remuneration policy (cf. Para 3.48, 3.50), it is not clear what additional benefit external disclosure (in the Solvency and Financial Condition Report – SFCR) may have, or what action it may induce. Thus, external disclosure should be omitted.	Disclosure and supervisory review complement each other. Stakeholders may not share the assessment of the supervisor and can act on the information as they see fit.
286.	AAS BALTA	3.49.	We would ask CEIOPS to clarify “Supervisory Authority”. In countries with non-unitary Boards, this term could be understood to mean an internal Supervisory Board, which sits alongside the management Board. However, on the assumption that the term “Supervisory Authority” means the local financial regulator, we would encourage CEIOPS to make it clear that the primary responsibility for overseeing compliance with the principles rests with the senior management of a firm in general, and with the Remuneration Committee members in particular. Therefore, whilst we accept that the local regulator will have a role to play in monitoring compliance with the principles, we have reservations about an approach that seemingly removes responsibility from a firm’s senior management to ensure that remuneration practices are aligned with sound risk management.	The assumption is correct.  Supervisors (the competent authority for supervision) can never relieve the undertaking or its administrative or management body of any responsibility.
287.	AB Lietuvos draudimas	3.49.	We would ask CEIOPS to clarify “Supervisory Authority”. In countries with non-unitary Boards, this term could be understood to mean an internal Supervisory Board, which sits alongside the management Board. However, on the assumption that the term “Supervisory Authority” means the local financial regulator, we would encourage CEIOPS to make it clear that the primary responsibility for overseeing compliance with the principles rests with the senior management of a firm in general, and with the Remuneration Committee members in particular. Therefore, whilst we accept that the local regulator will have a role to play in monitoring compliance with the principles, we have reservations about an approach that seemingly removes responsibility from a firm’s senior management to ensure that remuneration practices are aligned with sound risk management.	See comment 286 above.

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288.	CEA, SMC-09-091	3.49.	The remuneration system should generally be left to the responsibility of the management board and not form part of the current process of supervision of insurance companies by the supervisory authorities. The purpose of any role for supervisory authorities in the proper application of these principles should only be to prevent excessive risk-taking that might harm policyholders and/or the financial system as a whole.	Reviewing and evaluating the system of governance and in particular risk management will always be part of the SRP. Supervisory intervention would not take place on the basis of capping the level of risk the undertaking is taking on board but on the basis of the governance deficiency evinced by a remuneration policy that does not comply with applicable requirements.
289.	DENMARK: Codan Forsikring A/S (10529638)	3.49.	We would ask CEIOPS to clarify "Supervisory Authority". In countries with non-unitary Boards, this term could be understood to mean an internal Supervisory Board, which sits alongside the management Board. However, on the assumption that the term "Supervisory Authority" means the local financial regulator, we would encourage CEIOPS to make it clear that the primary responsibility for overseeing compliance with the principles rests with the senior management of a firm in general, and with the Remuneration Committee members in particular. Therefore, whilst we accept that the local regulator will have a role to play in monitoring compliance with the principles, we have reservations about an approach that seemingly removes responsibility from a firm's senior management to ensure that remuneration practices are aligned with sound risk management.	See comment 286 above.
290.	Link4 Towarzystwo Ubezpieczeń SA	3.49.	We would ask CEIOPS to clarify "Supervisory Authority". In countries with non-unitary Boards, this term could be understood to mean an internal Supervisory Board, which sits alongside the management Board. However, on the assumption that the term "Supervisory Authority" means the local financial regulator, we would encourage CEIOPS to make it clear that the primary responsibility for overseeing compliance with the principles rests with the senior management of a	See comment 286 above.

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			firm in general, and with the Remuneration Committee members in particular. Therefore, whilst we accept that the local regulator will have a role to play in monitoring compliance with the principles, we have reservations about an approach that seemingly removes responsibility from a firm's senior management to ensure that remuneration practices are aligned with sound risk management.	
291.	NORWAY: Codan Forsikring (Branch Norway) (991 502)	3.49.	We would ask CEIOPS to clarify "Supervisory Authority". In countries with non-unitary Boards, this term could be understood to mean an internal Supervisory Board, which sits alongside the management Board. However, on the assumption that the term "Supervisory Authority" means the local financial regulator, we would encourage CEIOPS to make it clear that the primary responsibility for overseeing compliance with the principles rests with the senior management of a firm in general, and with the Remuneration Committee members in particular. Therefore, whilst we accept that the local regulator will have a role to play in monitoring compliance with the principles, we have reservations about an approach that seemingly removes responsibility from a firm's senior management to ensure that remuneration practices are aligned with sound risk management.	See comment 286 above.
292.	Pacific Life Re	3.49.	As a general principle we do not think that it is appropriate that a financial regulator should intervene in the remuneration policies of the firms that it regulates unless there is a pressing need for that intervention and there is no alternative solution. In the absence of such a pressing need remuneration policy should be left to individual firms and market forces (both labour and capital). To the extent that a decision is made to extend regulation into the realm of individual firm's remuneration policies we are concerned that this is likely to put a very difficult burden on individual supervisors (who may not have expertise in the field of remuneration policy) when considering whether regulations have been breached or whether waivers should be granted. If individual supervisors steer away from exercising such discretions then there is a risk that the regulation will be very inflexible, thereby inflicting significant damage on the	Potential supervisory authorities' intervention will be made in the context of the general assessment of the undertaking's system of governance.

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			competitiveness of Europe's insurance sector.	
293.	RSA Insurance Group PLC	3.49.	We would ask CEIOPS to clarify "Supervisory Authority". In countries with non-unitary Boards, this term could be understood to mean an internal Supervisory Board, which sits alongside the management Board. However, on the assumption that the term "Supervisory Authority" means the local financial regulator, we would encourage CEIOPS to make it clear that the primary responsibility for overseeing compliance with the principles rests with the senior management of a firm in general, and with the Remuneration Committee members in particular. Therefore, whilst we accept that the local regulator will have a role to play in monitoring compliance with the principles, we have reservations about an approach that seemingly removes responsibility from a firm's senior management to ensure that remuneration practices are aligned with sound risk management.	See comment 286 above.
294.	RSA Insurance Ireland Ltd	3.49.	We would ask CEIOPS to clarify "Supervisory Authority". In countries with non-unitary Boards, this term could be understood to mean an internal Supervisory Board, which sits alongside the management Board. However, on the assumption that the term "Supervisory Authority" means the local financial regulator, we would encourage CEIOPS to make it clear that the primary responsibility for overseeing compliance with the principles rests with the senior management of a firm in general, and with the Remuneration Committee members in particular. Therefore, whilst we accept that the local regulator will have a role to play in monitoring compliance with the principles, we have reservations about an approach that seemingly removes responsibility from a firm's senior management to ensure that remuneration practices are aligned with sound risk management.	See comment 286 above.
295.	RSA - Sun Insurance Office Ltd.	3.49.	We would ask CEIOPS to clarify "Supervisory Authority". In countries with non-unitary Boards, this term could be understood to mean an internal Supervisory Board, which sits alongside the management Board. However, on the assumption that the term "Supervisory Authority" means the local financial regulator, we would encourage CEIOPS to make it clear that the primary responsibility for overseeing	See comment 286 above.

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			compliance with the principles rests with the senior management of a firm in general, and with the Remuneration Committee members in particular. Therefore, whilst we accept that the local regulator will have a role to play in monitoring compliance with the principles, we have reservations about an approach that seemingly removes responsibility from a firm's senior management to ensure that remuneration practices are aligned with sound risk management.	
296.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.49.	We would ask CEIOPS to clarify "Supervisory Authority". In countries with non-unitary Boards, this term could be understood to mean an internal Supervisory Board, which sits alongside the management Board. However, on the assumption that the term "Supervisory Authority" means the local financial regulator, we would encourage CEIOPS to make it clear that the primary responsibility for overseeing compliance with the principles rests with the senior management of a firm in general, and with the Remuneration Committee members in particular. Therefore, whilst we accept that the local regulator will have a role to play in monitoring compliance with the principles, we have reservations about an approach that seemingly removes responsibility from a firm's senior management to ensure that remuneration practices are aligned with sound risk management.	See comment 286 above.
297.	CEA, SMC-09-091	3.51.	The supervisory authorities should not be allowed to request information on the level of the salaries of employees (see Para 3.10). Supervisory authorities should not be able to interfere in any way in the determination of the level of remuneration, as this would put the insurance sector at a competitive disadvantage compared to sectors where there are no supervisory competences to interfere in this area. See also comment on Para 3.55.	Cross sectoral consistency will be checked against. But generally the competent authority may request any information for supervisory purposes, such as checking practices against policies. However, as stated in paragraph §3.10, it is not the intention that supervisors should interfere in the determination of the level of remuneration.
298.			Confidential comments deleted	

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299.			Confidential comments deleted	
300.	Association of British Insurers	3.53.	We agree with this principle. Firms should be required to adopt a formal remuneration policy.	Noted.
301.	CEA, SMC-09-091	3.53.	<p>We agree with this principle. However, the term value seems too unspecific in this context. We would therefore suggest deleting "values".</p> <p>It should be pointed out that a remuneration strategy is admissible as long as it does not contradict effective and risk-oriented governance. It should also be stressed that a remuneration policy in an insurance undertaking has to take into account the fact that maintaining experienced and skilled human resources with deep knowledge of often very specialised insurance markets is a key factor in reducing the risk at operational and strategic level.</p>	<p>CEIOPS considers that an undertaking's remuneration policy should take into account the most relevant aspects that characterise that undertaking.</p> <p>This is the basic message of the advice. The idea is that this is accomplished in a way that does not incentivise excessive risk taking.</p>
302.	GROUPAMA	3.53.	We question that the remuneration policy seems focused on risk management issues. We suggest that the scope of the remuneration policy include human resources matters.	CEIOPS does not deny that the scope of the remuneration policy includes human resources matters. However, the focus of the advice is naturally on risk management issues as these are the reason for introducing requirements on the remuneration policy and practices of undertakings.
303.	Pacific Life Re	3.53.	We agree with the proposed requirement for a clearly defined remuneration policy.	Noted.
304.	RBS	3.53.	We agree with this principle and are already conducting a root and branch review of its remuneration policy following the publication of the FSA Code. This review will ensure that the resulting policy is in line with RBS's business and risk strategy over the long-term. RBS agree that the long term plays an important role for the insurance business. Incentive arrangements for this division will need to take	

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			into account the insurance cycle	
305.	Association of British Insurers	3.54.	We agree with this principle. The entity's remuneration policy should apply across the entity as a whole but should include appropriate policies for different bodies of directors, employees etc.	Noted.
306.	CEA, SMC-09-091	3.54.	<p>Referring to the whole organisational structure is not appropriate, and in doing so, Ceiops is targeting risks which are not triggered by employees. Risk-taking of employees is defined, and hence limited by, their field of responsibility and not their remuneration.</p> <p>See comment on Para 3.20.</p> <p>It is primarily the management body that deals with tasks which have a relevant impact on the risk profile of an undertaking. Personnel working in other activities generally deal with internal risks which have no external impact and are compensated by the risk management system. To implement rules on the whole organisational structure of an undertaking is unnecessarily burdensome without any positive effect, as staff that are not involved in any risk-taking activities cannot consequently trigger any unauthorised or unwanted risks which exceed the level of tolerated risks.</p>	See comment 151 above.
307.	CRO Forum	3.54.	<p>We welcome the proportionate and risk based approach adopted in this paragraph, however the effect of such proportionality is partly taken away with the statement that remuneration policy should take into account all individuals involved in risk-taking activities. For insurance undertakings every underwriter would be included in the risk-taking role definition. We propose that risk-taking at operational level should be considered as part of the governance structure since all policies underwritten will be driven by the underwriting policies. Therefore only the senior administrative or management body should be considered in scope of the remuneration policy that set and approve the risk appetite of the undertaking in the policies.</p> <p>We propose that the scope is limited to the administrative and management body members in scope of "fit and proper" as defined in</p>	<p>Noted.</p> <p>CEIOPS has changed the text to clarify that apart from them major decision takers only staff with significant risk taking abilities is included in the scope of specific remuneration arrangements.</p> <p>The scope of the "fit and proper" requirements is actually not limited to the members of the administrative or management body.</p>

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			the directive and consultation paper on system of governance (CP33).	
308.	GROUPAMA	3.54.	We think that implementing a remuneration policy dealing with all employees involved in activities that involve risk-taking could be very burdensome. We suggest limiting the scope of this to top management.	See comment 307 above.
309.	Lloyd's	3.54.	See comment on 3.5.	See comment 59 above.
310.	RBS	3.54.	We agree with this principle. The remit of the Remuneration Committee has been reviewed to ensure accountability of overall remuneration policy with a particular focus on those roles that involve risk-taking. RBS agree that the remuneration package for control functions need to be reviewed to ensure that rewards are linked to objectives of their function not performance of the business in which they sit.	
311.	Association of British Insurers	3.55.	This response covers paragraphs 3.55 and 3.56. We agree with this principle. It is vital that an entity has an effective governance structure in place around its remuneration policies. We agree that, where appropriate in accordance with the principle of proportionality, an insurer should set up a remuneration committee to oversee its remuneration policies.	Noted.
312.	CEA, SMC-09-091	3.55.	Transparency must not lead to a situation where the achievements of the individual and the resulting remuneration are transparent for other persons besides the employer and respective employee, and an internal supervisor (if necessary). Otherwise, transparency will lead to an infringement of personal rights and accepted conventions of good personnel management.  See comment on Para 3.45.	CEIOPS does not suggest that transparency about remuneration should include divulging the amount of remuneration that individual employees receive.  See comment 276 above.
313.	RBS	3.55.	This response covers paragraphs 3.55 & 3.56. RBS already have a Group Remuneration Committee in place. RBS wholeheartedly agree that it is important to have a clear, transparent and effective governance structure. As the Insurance division is part of a larger group rather than a standalone business, it is not felt a separate	



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			RemCo for this division is required. RBS agree that independent oversight of remuneration is required and that the policy should be reviewed annually. RBS always ensure that shareholders are kept informed of any significant changes to the remuneration policy.	
314.	Lloyd's	3.56.	It is not clear how this principle should be viewed, given its use of the word "could". Although we welcome the flexibility thereby implied, we query whether a statement like this serves a useful purpose either for supervisors or for undertakings. Probably any undertaking whose nature, scale and complexity justifies the creation of a remuneration committee has already created one.	The text in the advice was changed, as the word "could" is not compatible with a Level 2 measure. In any case, the implementation of such requirement will be applied proportionately.
315.	Pacific Life Re	3.56.	We agree that a remuneration committee should not be mandatory.	Noted. See comment 314 above.
316.	ROAM (Réunion des Organismes d'Assurance Mutuell	3.56.	ROAM approves CEIOPS proposition to let the undertaking have or not a remuneration committee. In a general way, ROAM does not wish that the supervisor interferes in the management choices of the undertaking (except its missions' perimeter).	Noted. See comment 314 above.
317.	Association of British Insurers	3.57.	This response covers paragraphs 3.57 to 3.59. We agree with this principle. Remuneration and bonus schemes should be flexible and should take account of overall performance. We accept that where appropriate bonus payments should reflect the time horizon of the undertaking. However, in the case of insurers where some policies extend over many years the time horizon for paying bonuses should take a reasonable approach.	Noted. Considering the nature and time horizon of the business does not mean bonuses can only be paid at the end of a policy.
318.	CEA, SMC-09-091	3.57.	Principles 3 and 4 seem to be in conflict with one another. Principle 4 does not leave as much room for the company's shareholders and management to plan an individual remuneration policy as Principle 3, mentioned in Para 3.55.  The function of the employee should also be taken into consideration: "..., these shall be appropriately balanced depending on the function of the employee so that ..."  In line with the principle of proportionality, it should be possible for	That does not constitute a conflict. Depending on whether a decision is taken to include variable components additional considerations have to be taken into account.  The principle of proportionality does not exempt from requirements but as long as

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			<p>SMEs to determine their bonus systems on the basis of simple criteria (eg turnover). See also comment on Para 3.31.</p> <p>Paras 3.57-3.59 do not pay due regard to the issue of freedom of contract.</p>	<p>undertakings are in line with the requirement there is no reason why the remuneration policy should not be simple.</p> <p>Freedom of contract does not mean that there are no legal requirements to be taken into account by the parties of the contract.</p>
319.	Danish Insurance Association	3.57.	Principle 3 and 4 seems to be in conflict. Principle 4 does not leave as much room for the company's shareholders and management to plan an individual remuneration policy as principle 3 mentioned in paragraph 3.55.	See comment 318 above.
320.	Lloyd's	3.57.	See comment on 3.31.	See comment 194 above.
321.	Pacific Life Re	3.57.	We agree that fixed remuneration should be sufficient so that bonus may be fully flexible.	Noted.
322.	RBS	3.57.	This response covers paragraphs 3.57 to 3.59. RBS agree with this principle which is very similar to a couple of the FSA principles combined. However, RBS welcomed the tightened definition that the FSA provided in their final code in relation to the population deferrals would apply to. The CEIOPS recommendation suggests that the major part of a significant bonus should be deferred for ALL employees in insurance, rather than just those that are involved in risk-taking or have significant influence. RBS would welcome clarification on this. RBS note that CEIOPS have taken into account long tail business where implementing a deferral based on performance of business maybe complex.	
323.	CEA, SMC-09-091	3.58.	If Para 3.58 contains a mandatory obligation, it would limit the freedom of contract to a minimum. If it is to be understood as non-binding, there is already a lot of literature at hand.	CEIOPS sees this as mandatory and not materially limiting on the amount of remuneration that may be paid.

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324.	Pacific Life Re	3.58.	We agree that the variable component of remuneration should be based on a combination of assessment of individual and collective performance as well as financial results.	Noted.
325.	CEA, SMC-09-091	3.59.	The CEA does not believe that deferred payment can be regulated under supervisory law. It should therefore be left to the individual undertaking. We are concerned that the present Ceiops draft advice is at times too far-reaching in the sense that it is proposing too detailed and burdensome requirements, for which the Solvency II Directive does not seem to provide sufficient legal basis.	The CEA errs. The requirements are fairly general and leave a lot of room for individual decisions by undertakings.
326.	Lloyd's	3.59.	This principle sets out detailed requirements for the structuring of bonuses. This is not appropriate without further justification. Deferral of a significant part of bonuses has been suggested by supervisors, legislators and others as a response to perceived problems in the banking sector. Extension of this approach to the insurance industry requires those proposing it to have a clear idea of the problems that they are seeking to address in that sector. Nowhere in this paper is there any review or assessment of the way that insurers currently arrange bonuses that indicates that their existing approaches give rise to risks that could best be managed by mandated deferral.	See comments 6 and 325 above.
327.	Pacific Life Re	3.59.	We do not agree that deferral of bonus payments should be obligatory. As explained in paragraph 3.38 we do not believe that risk takers in long-term business are given short term incentives to maximise risk to the detriment of other stakeholders. Use of risk based capital measures (which are the essence of Solvency 2) and accounting procedures that do not artificially front-end the returns should be a sufficient safeguard against such behaviours.  Were deferral mechanisms to be required we question how long these would need to be and whether performance metrics would need to be determined by reference to underwriting year rather than the undertaking's current results would be necessary. Any such approach would be complex and create disincentives to manage in-force business which did not form part of current management's incentive	Noted.

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			<p>arrangements.</p> <p>Long-term deferrals would create practical issues such as what happens to deferred remuneration when an employee leaves the business. Overall these would tend to make employees discount the value of the incentive remuneration requiring the face value amounts to be greater in the first place or putting long-term insurance business at a competitive disadvantage in attracting employees to other financial services industries where performance and earnings are more volatile.</p> <p>We believe that a better safeguard against excessive risk taking is the inclusion of an upper limit in any performance-based metric. We believe that this discourages excessive risk-taking by limiting the ability of employees to "gamble" on getting a greater bonus by exposing the firm to greater risk. At this margin, the usual risk-reward asymmetry between employee and firm is reversed and the reward from any additional risk taking accrues entirely for the benefit of the firm.</p>	
328.	Pricewaterhouse Coopers LLP	3.59.	It should be recognised in guidance that a deferred bonus linked to the annual bonus and a separate long term incentive can fulfil the same function. Hence it is the combination of these two arrangements that should be considered.	Noted.
329.	Association of British Insurers	3.60.	We agree with this principle.	Noted.
330.	CEA, SMC-09-091	3.60.	<p>Ceiops' advice has an extensive impact on business policy. The issue of how to exercise judgement should be left to each undertaking. This applies particularly to the consideration of non-financial factors for individual performance measurement.</p> <p>See also comment on Para 3.31.</p>	Compliance with the requirements still leaves a lot of room for exercising judgement.
331.	Pacific Life Re	3.60.	We agree that non-financial factors should be an important element of the assessment of every individual's performance.	Noted.

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332.	Pricewaterhouse Coopers LLP	3.60.	It should be noted that the relevance of non-financial factors should be meaningful.	Noted.
333.	RBS	3.60.	This response covers paragraphs 3.60 & 3.61. RBS agree with the use of non-financial performance measures for individuals. It is very difficult to risk adjust bonuses at an individual level, bonus pools, however, should be risk adjusted. Bonus pools are not appropriate for all divisions, and where pools are not used, RBS believe that risk should be taken into account using a non-formulaic approach.	
334.	Association of British Insurers	3.61.	We agree with this principle.	Noted.
335.	CEA, SMC-09-091	3.61.	In line with the principle of proportionality, it should be possible for SMEs to determine their bonus systems on the basis of simple criteria (eg turnover). See also comment on Para 3.31 and 3.39.	See comment 318 above.
336.				
337.	Association of British Insurers	3.62.	We agree with this principle.	Noted.
338.	CEA, SMC-09-091	3.62.	<p>Given that the supervisory authority is responsible for the review of the remuneration policy (cf. Para 3.48, 3.50), it is not clear what additional benefit external disclosure (in the Solvency and Financial Condition Report – SFCR) may have, or what action it may induce. Thus, external disclosure should be omitted.</p> <p>It is unclear how confidentiality can be respected, while at the same time disclosing information on the remuneration policy to external stakeholders. Disclosure of the remuneration policy applying to the whole undertaking does not make any sense. Disclosure of the remuneration of the management body (in listed companies) would be sufficient. Moreover, this would again cause considerable administrative burdens, particularly for SMEs.</p> <p>Transparency must not lead to a situation where the achievements of the individual and the resulting remuneration are transparent for</p>	<p>See comment 12 above.</p> <p>Disclosing the remuneration policy does not imply disclosure of individual amount paid to employees. That kind of disclosure is subject to national company law.</p> <p>See also comment 276 above.</p>

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			<p>other persons besides the employer and respective employee, and an internal supervisor (if necessary). Otherwise, transparency will lead to an infringement of personal rights and accepted conventions of good personnel management. See comment on Para 3.45.</p> <p>The demands for disclosure are substantial and can result in a conflict with general confidentiality provisions. See also comment on Para 3.46.</p>	
339.	RBS	3.62.	RBS fully agree with this principle and fully intend to ensure that the remuneration policy and the principles governing it will permit shareholders and other stakeholders to see that the revised policies are linked to long term business strategy and do not encourage excessive risk taking.	
340.	ROAM (Réunion des Organismes d'Assurance Mutuell	3.62.	ROAM approves the transparency principle of the remuneration system. Nevertheless, ROAM thinks that the disclosure on this remuneration system has to be limited to the guidelines of the system such as the relation between remuneration and long term objectives. Beyond the guidelines, only the undertaking must be able to decide to communicate or not on the operational detail of its remuneration system.	<p>Noted.</p> <p>See comment 339 above.</p>