Summary of Comments on Consultation Paper 60 - CEIOPS-CP-60/09 CEIOPS-SEC-123-09				
CP No. 60 - L2 Advice on Group Solvency Assessment 20.10.2009				
CEIOPS would like to thank AAS BALTA, AB Lietuvos draudimas, AMICE, Association of British Insurers, CEA, Danish Insurance Association, Codan Forsikring A/S, DIMA (Dublin International Insurance & Management , European Insurance CFO Forum, European Union member firms of Deloitte Touche, FFSA, German Insurance Association (GDV), D, GROUPAMA, Groupe Consultatif, Institut des actuaires (France), International Underwriting Association of London (IUA), Investment & Life Assuarnce Group (ILAG), KPMG ELLP, Legal & General Group, Link4 Towarzystwo Ubezpieczeń SA, Milliman, Munich RE, Codan Forsikring, Pearl Group Line, ROAM , Royal Bank of Scotland Insurance, RSA Insurance Group PLC, RSA Insurance Ireland Ltd, RSA Sun Insurance Office Ltd., Solvency II Legal Group, Trygg-Hansa Försäkrings AB, UNESPA, and XL Capital Ltd. The numbering of the paragraphs refers to Consultation Paper No. 60 (CEIOPS-CP-60/09)				
No.	**Name**	**Reference**	**Comment**	**Resolution**
1.	AMICE	General Comment	These are AMICE´s view at the current stage of the project. As our work develops, these views may evolve depending in particular, on other elements of the framework which are not yet fixed. 1. The comments outlined below constitute AMICE`s primary areas of concern: 2. Overall, where reference is made to consolidated accounts, combined or aggregated accounts' should also be considered; At least reference to the equivalence of consolidated accounts in case of a mutual group. 3. The definition of the consolidation perimeter for accounting purposes should be consistent with economic principles (substance over form, significant/ dominant influence, treatment of ancillary entities…). It is preferable to promote convergence with accounting rather than building a second set of consolidated accounts limited to the scope of group supervision. 4. More clarity is needed on the treatment of fungibility and transferability of the excess of assets over liabilities, and in	Noted See the resolution of the specific comments and the relevant CP paragraphs

			particular regarding portfolio´s future profits. We believe that the nature of future profit business allows its total fungibility and transferability. We disagree with CEIOPS suggestion to limit its transferability, since the excess of assets over liabilities is defined after distributing the profit sharing among the policyholders. It is therefore fully available for the undertaking. In our opinion, not recognizing such features departs from the market consistent valuation of the balance sheet. 5. Hybrid capital and subordinated debt is not considered as a transferable item. We disagree with this statement. Hybrid instruments and subordinated debt can be transferred from one entity to another by loan agreement; One entity within the group can settle subordinated debt (when having debt in excess of its SCR), to another of the same group when the latter is in breach of the SCR. These are current practices of financing optimization within a group. 6. More guidance is needed on the applicable methodology to participations in the non-financial sector. CEIOPS writes that the same approach should be suitable at the group and at the solo level, but this does not help to understand the way to consolidate them. 7. CEIOPS limits the transferability of deferred taxes assets as to whether they are eligible for covering the solo SCR of the related undertaking concerned. AMICE members believe that transferability should not be limited when related undertakings are part of the same taxable group (i.e undertakings from the same jurisdiction). 8. More guidance is needed on the scope of ring-fenced funds. We agree that own funds covering ring-fenced funds may not be transferable when the provisions of the fund do not allow any transfer of results between undertakings.	

2.	Association of British Insurers	General Comment	We are disappointed to see in this paper a general failure by CEIOPS to recognise the group structure in developing its proposals for supervision. The proposed advice fails to resolve several issues with regard to groups and it is still unclear how the group structure will be regulated. Furthermore, we regret to see an excessive reliance upon solo requirements rather than viewing the group as a coherent economic entity. The paper is too vague about what constitutes a Group and the Supervisors have too much discretion over the scope of what is within the group. Much clearer direction on the interaction and boundaries between this consultation paper and other requirements (e.g. FCD) are required in order to assess which rules and principles would override others. We do not agree with CEIOPS that there are additional risks arising from a group We consider that any group risks will be integral to the Pillar I assessment or identified in the ORSA under Pillar II. There is no need for a separate structure to further increase capital requirements. It could be read from CP 60 that CEIOPS considers the aggregation deduction method to be the default approach. It is quite clear from the Framework Directive that the accounting-consolidation method is the default method. Wherever possible the group consolidation under Solvency II should follow accounting consolidation unless there are strong arguments for divergence. Any differences will impose significant administrative burdens and will reduce transparency. We believe that diversification effects should be included in the risk margin calculated at group level. If this is not done an additional layer of prudence will be added to the technical provisions. Diversification benefits in own funds for non-EEA entities should	Noted See the resolution of the specific comments and the relevant CP paragraphs

			also be allowed at group level. Further details are needed on participations in non-financial sectors. We would like more details on the methodology to follow for participations in non-financial sectors. CEIOPS states that it should be the same at the group and at the solo level, but this does not explain how to consolidate. We would recommend aligning definitions of 'dominant' and 'significant' influence with international accounting standards. As those are likely to evolve, changes in definitions from the IASB would have to be monitored and reflected in the Solvency II regime. We would imagine that CEIOPS could play a role in ensuring consistency here. Further work is needed on clarifying when own funds are fungible and transferable. The concepts of "fungibility" and "transferability" and their interaction should be clarified further. The section on third countries is unclear. Consistency and clarification would be appreciated for principles applicable to insurance groups where the head of the group is outside the EEA in a third country that is not equivalent. We believe that determination of equivalence needs to be made as soon as possible and at EU level not at supervisors' discretion, ensuring also that for non-equivalent territories, exclusion guidance is clear and can be consistently applied. We are therefore concerned that the advice appears to invalidate the purpose of equivalence assessments: for example, identical treatment is advocated for both equivalent and non-equivalent regimes when using the alternative method. When using the default method, the equivalence of a 3rd country regime also appears irrelevant. Appropriate harmonisation should be ensured	

			We believe that supervisors should work towards this common goal and avoid unjustified differences in approach	
3.			Confidential comment deleted	
4.			Confidential comment deleted	
5.	CEA, ECO-SLV-09-454	General Comment	The CEA welcomes the opportunity to comment on the Consultation Paper (CP) No. 60 on Group Solvency Assessment. It should be noted that the comments in this document should be considered in the context of other publications by the CEA. Also, the comments in this document should be considered as a whole, i.e. they constitute a coherent package and as such, the rejection of elements of our positions may affect the remainder of our comments. These are CEA's views at the current stage of the project. As our work develops, these views may evolve depending in particular, on other elements of the framework which are not yet fixed. We are disappointed to see in this consultation paper a general failure by Ceiops to recognise the group structure in developing its proposals for supervision. There appears to be an excessive reliance upon solo requirements rather than viewing the group as a coherent economic entity. There are several areas where we think that Ceiops' advice is not fully in line with the Level 1 text. For example, the Level 1 text clearly states that the accounting-consolidation method is the default method whereas in this consultation paper the deduction and aggregation method seems to have been given preference. Appropriate harmonisation should be ensured. Article 232 of the Level 1 text requires that the Commission adopts implementing measures specifying the technical principles and	Noted See the resolution of the specific comments and the relevant CP paragraphs

			methods set out in Articles 218 to 227, and the application of Articles 228 to 231 to ensure homogenous application within the Community. Accordingly we support the goal of harmonisation and believe that supervisors should work towards this common goal and avoid unjustified differences in their approach. A single harmonised rulebook for groups is crucial for the effectiveness of group supervision. We would like to stress the need for coordination by the group supervisor within the college of supervisors and in close contact with the group concerned. We do not agree with Ceiops that there are additional risks arising from a group. We consider that any group risks will be integral to the Pillar I assessment or identified in the ORSA under Pillar II. There is no need for a separate structure to further increase capital requirements. Alignment with accounting rules is crucial unless there are justified reasons for divergence. Wherever possible the group consolidation under Solvency II should follow accounting consolidation unless there are strong arguments for divergence. Any difference will impose significant administrative burdens and will reduce transparency. We would also appreciate the advice being clearer in distinguishing between consolidated accounts representing a Solvency II balance sheet (ideally same as IFRS) and those accounts subject to additional adjustment for the determination of group SCR (for example separate calculation for entities which are subject to different sectoral regulatory requirements). The accounting-consolidation method is the default method in the Framework Directive. The accounting-consolidation method is the default method in the	

			Level 1 text and the deduction and aggregation method should not be used to circumvent the recognition of diversification effects via the consolidation method. The recognition of diversification effects should include also those arising from non-EEA entities. It is important that the concepts of "dominant influence" and "significant influence" are clearly defined. A helpful starting point would be the principles used by the IASB within IAS 27 and 28 to the extent that these are in line with the Level 1 text. For example, these standards allow the exclusion of participations above 20% which is not consistent with the Level 1 text. In these Standards the concepts of "control" and "significant influence" are defined. The overriding principle should be "substance over form" as Solvency II is based on economic principles. Supervisors should also look at whether the group is centralised to assess significant influence. In addition to clear definitions, Level 2 advice should include the criteria on the basis of which the supervisors can deviate from the definitions. Ceiops should restrict the cases where the supervisors disagree with these criteria to a clearly defined set of situations. There should be some flexibility in defining a group. A legal definition is generally used in the Level 1 text and in the advice for implementing measures with some possibilities to deviate. In our opinion the legal restrictions should act as a rebuttable presumption. If a group wants to deviate by adding or removing an entity form the consolidation scope on grounds of an economic assessment is should be allowed after consultation. There can be situation in which the holding of 17% of capital still implies a significant influence and a situation in which a holding of 25% does not imply significant influence. The same could be applicable when assessing whether or not "control" is exercised. We consider there should be some flexibility in the application of these criteria, within	

			broad guidelines. We also strongly recommend that groups are looked at in their entirety which is corresponding to the consolidated accounting group. Separate analyses of sub-groups pose undue burden to insurance groups. We strongly disagree with theoretical allocation of diversification effects and deducting unavailable own funds covering the solo SCR from group own funds. In our view all solo own funds eligible for covering the solo SCR should be counted as part of the group own funds. In our view a too conservative approach has been taken with regards to transferability and fungibility. We consider that as long as the undertakings are located within the EEA, own funds should be considered as fungible and transferable, since all these undertakings are covered by Solvency II. If own funds are not transferable, they can always be made transferable by setting up intra-group loan mechanisms. In the EEA, since the solvency is harmonised, there should not be any local solvency rules in addition to Solvency II. As such, a transferable item is always fungible. Finally as in Europe intra-group loans can be set up and are systematically recognised, local own funds would be transferrable and fungible automatically. See also comment to 3.136. Outside EEA, transferability and fungibility have to be analysed together with the capacity of a group to allow for intragroup loans. In this case, any available own funds are transferable and fungible. We do not understand well the treatment suggested by Ceiops on fungibility and transferability of the excess of assets on liabilities, especially the future profits of the portfolio. We think that the nature of future profit implies total fungibility and transferability.	

			Ceiops does not recognize any transferability of deferred tax assets. We think this should be allowed for when the entities are part of the same fiscal group. We do not understand why subordinated debt is not considered as transferable. It is possible for an entity in a group to settle the subordinated debt of another if the latter is unable to meet its SCR on a solo basis following redemption. There should be consistency with other consultation papers dealing with the same issues. We would like to point out that Pillar II requirements (such as liquidity management) are also dealt with in other implementing measures. Group issues are also addressed in CP58 (Pillar III reporting), in CP61 (IGT + RC) and in CP 62 (colleges). Equivalence not relevant for assessing if own funds of third-countries can be considered as eligible. The recognition of eligible own funds for group solvency purpose should not depend on whether or not a third country entity is considered but on clear criteria for all group entities. As long as the group is able to evidence the reliability of information on a non-EEA subsidiary, the group should be allowed to apply the deduction and aggregation or accounting-consolidation method. In situations where the local supervisor does not provide information to the group supervisor, the group should still be able to apply the deduction and aggregation or the accounting-consolidation method as long as it can evidence the reliability of information. The group should then be able to include the non-EEA subsidiary in group own funds and benefit from diversification effects.	

			Group risks should not lead to frequent group capital add-ons. We are concerned that there could be frequent capital add-ons on group risks. We do not agree that there are risks that are specific to groups. The CP implies that risks not covered in the standard formula at solo level, e.g. reputational risk, could warrant a capital add-on at group level. Goodwill has economic value and as such the possibility to assign value to goodwill should not be excluded from the group solvency calculation. Assigning a nil value is inconsistent with the requirements for accounting purposes (under which goodwill is tested for impairment and if it is not impaired by definition it has a non-nil value). If goodwill is assigned a value then obviously the fact that its value maybe impaired under stress circumstances would be considered within the capital requirements. See our comment to 3.158.	
6.	CRO Forum	General Comment	60.A Risk of un-harmonized treatment for participations by local supervisors (priority: very high) The CRO Forum welcome that current IFRS method for consolidation purposes shall apply to determine consolidated accounts. But the scope of significant and dominant influences may be expanded based on a case by case decision of the local supervisor (i.e besides the thresholds of 20% and 50% as laid down in the Directive). From our point of view, it may lead to a significant amount of additional (reporting) requirements and doesn't ensure harmonization of supervisory and corporate practices. So, we would recommend this infringement of the rule to be applied to very specific cases only and well documented by the supervisor and we suggest Implementing Measures to give clear guidance on this issue.	Noted See the resolution of the specific comments and the relevant CP paragraphs

			60.B A quick decision on equivalent territories is vital (priority: very high) The CRO Forum welcomes CEIOPS initial thoughts on equivalence in this paper, which is a key area of concern for EU based insurance groups. Decision on equivalence will give early indications on the potential consolidation methods that could be employed, "deduction and aggregation" or "accounting consolidation". Deduction and aggregation, though simple, will require an update to the capital strategy to account for the lost diversification benefit while accounting consolidation would require appropriate project plan to roll out Solvency II to non equivalent regions. Such contrast in approaches can translate to significant costs to large (re)insurance groups and any changes in these plans can be significantly time consuming. In an effort to ensure a timely implementation of the Solvency II it is vital that a decision on equivalence is made sooner rather than later. We appreciate that decision on equivalence is both challenging and time consuming. We propose that CEIOPS prioritise their evaluation of non-EEA regions with a view to assess major markets for which European (re)insurers have substantial business. We have noticed that the criteria CEIOPS advises for assessing equivalence will not be published before early 2010, but it is important for multinational groups to be involved in the drafting of these criteria. 60.C Consolidation methods should be the choice of the company (priority: high) 8. The CRO Forum strongly recommends that groups are looked at in their entirety which is corresponding to the consolidated accounting group approach. The accounting consolidation-based method should be considered as the standard method as mentioned in the Level 1 text and clear criteria should be established that would justify a deviation from this method.	

			But for large global insurers with presence in an array of non-EEA regions it is important that there is flexibility to formulate a process that allows for an efficient management and reporting of a risk in a timely manner for their group. We believe that current proposal is too restrictive regarding the choice on consolidation methods. We are on the opinion that companies should be allowed to adopt the consolidation method, based on guidance from supervisory authorities. 60.D Risk of non-recognition of diversification benefits with third countries (priority: very high) The CRO Forum strongly disagree that supervisors may not recognize diversification benefits with undertakings from non-equivalent third countries (both on the SCR and Own Fund at Group level), even if a group internal model is developed, due to issues such as professional secrecy, access to information and fungibility restrictions of own funds. It is a critical concern for European Groups as a vast majority perform at least a third of their business in the US or Asia. It doesn't encourage the right behavior and is inconsistent with the Principle of the Directive (recital 37). 60.E Confusion around the concepts of diversification, solvency and fungibility/ transferability (priority: very high) There still appears to be confusion around diversification, solvency and fungibility/ transferability. These are distinct concepts and should not be mixed-up. The CRO Forum reaffirms that the group solvency ratio should be measured and disclosed without fungibility constraints. The excess own fund at Group level should then be flagged between fungible and non-fungible parts. We agree that own funds are not necessary transferable/ fungible in a first step. However, in theory between EEA jurisdictions own	

			funds could be considered as fungible, thanks to intra-group loan or any other intra-group mechanism (non-fungible element moved into a transferable element thanks to intra-group loan). In practice these intra-group mechanisms will have to be effectively put in place. We note also 2 areas that require further guidance: 1 the treatment of different structures (company level, with-profit fund, ring fenced funds, intra-group loan) is not consistent in this CP which may lead to different amounts of a own-funds contributing to the group own funds under each structure, even if the underlying fund is exactly the same. 2 the paper does not sufficiently cover the fungibility and transferability treatment for non-EEA or third country undertakings. 60.F Capital Requirements should be associated with the economic balance sheet (priority: very high) In the light of the financial crisis, CEIOPS suggests that Group calculation should include group-specific risks, such as reputational risk, contagion risk, impact of intra-group transactions, operational risk. Once again, the CRO Forum reinforces its view that reputational risk, contagion risk and the impact of intra-group transactions should not be seen as 'risk types', but as areas of potential losses. No capital should be held for something that is not on the economic balance sheet in the first place and thus influences the franchise value of a company, only. 60.G More stringent rules for groups (priority: very high) Overall, The CRO Forum note that the draft advice reads as arguing against group supervision. It also seems to try and eliminate benefits of group diversification, e.g. through limitations based on transferability, and limitations in respect of third countries. If these are the intentions we do not agree. Group supervision in the first	

			place is a more efficient approach and it saves resources both at the group/company level as well as for the regulators. We feel that the suggestions in the CP go against the intention of the Directive. Furthermore the added value compared to solo supervision for the regulator and for the group is not yet clear. It hasn't been effectively tested especially with the proposed solo calibrations and own funds rules. The release of the QIS5 specification will allow the industry to provide final advices on the proposed rules for groups.	
7.	Danish Insurance Association	General Comment	**[EMPTY]**	
8.	DIMA (Dublin International Insurance & Management	General Comment	DIMA welcomes the opportunity to comment on this paper. Comments on this paper may not necessarily have been made in conjunction with other consultation papers issued by CEIOPS. There may be genuine diversification benefits to be obtained from participating in different sectors and industries. Some credit should be given to well-diversified groups to reflect this. At the very least, a well-diversified group should not be required to model group specific risks while taking no account of the related diversification benefits. The situation of subsidiaries taking credit for group diversification is not considered. In particular, may a subsidiary using a group internal model to calculate its SCR take credit for the group diversification benefits that are likely to be implicit in the model? This should be allowable providing that it can be justified by the group. The fact that it may prove challenging for supervisors to recognise diversification benefits from non-EEA countries is not a good enough reason to simply disallow such benefits. Rather, the supervisor should work with the group to ensure that credit for	Noted See the resolution of the specific comments and the relevant CP paragraphs

			such benefits can be taken.	
9.	European Insurance CFO Forum	General Comment	Many decisions are left to the judgement of supervisors but there is a lack of clarity around how these judgements will be made. Generally, many decisions around group solvency are left to the judgement of supervisors, for example around quality of data (paragraph 3.86) and treatment of consolidation method (paragraph 3.121). There is a lack of detail around how this judgement will be applied in practice. The CFO Forum acknowledges that agreeing the treatment of consolidation is a complex process but recommends that there should be a degree of flexibility for companies to discuss the approach with the supervisors. References to group consolidated numbers should be consistent throughout the consultation paper. Throughout the consultation paper it should be made clear that the group consolidated numbers consist of consolidated market value balance sheets. References to book values and GAAP are confusing and in some case not appropriate. Further clarification is required as to the methods by which CEIOPS will achieve the recognition of equivalence and keep the insurance industry informed of progress. The equivalence between countries should be disclosed. Further, we recommend that the definition of equivalence is set as soon as possible in level 2 rather than level 3 implementing measures. The CFO Forum recommends that CEIOPS should clarify the methods by which it will achieve the recognition of equivalence and how it will maintain communication with the insurance industry to keep it informed of progress. In addition, CEIOPS should clarify how it will prioritise the countries in which it will look for equivalence.	Noted See the resolution of the specific comments and the relevant CP paragraphs

			Further, we recommend that the definition of equivalence is set as soon as possible in level 2 rather than level 3 implementing measures. Fungibility and transferability issues are addressed in CP46: Own Funds - Classification and Eligibility. The resolution of these matters will have an impact here.	
10.	FFSA	General Comment	Supervisory discretion should be minimised and well justified. Article 232 of the Level 1 text requires that the Commission adopt implementing measures specifying the technical principles and methods set out in Articles 218 to 227, and the application of Articles 228 to 231 to ensure homogeneous application within the Community. Reliance on supervisory discretion, as evidenced throughout the draft advice, is unlikely achieve this goal. FFSA agrees that current IFRS methods for consolidation purposes shall apply to determine the solvency scope of consolidation, ie a risk and reward analysis on a case by case basis, with no fixed quantitative thresholds. We shall remind for that purposes that proportionality and materiality principles have to be taken into account. Any deviation from IFRS consolidation scope or rules will not enhance the transparency of the disclosures and their reconciliation. Furthermore differences will lead to additional administrative burden for the industry. The accounting-consolidation method is the default method in the Level 1 text and the deduction and aggregation method should not be used to circumvent the recognition of diversification effects via the consolidation method. In particular, when the insurance subsidiary is outside EEA, and that the local regulator does not want to provide with any information to the Group supervisor, this should not lead to prevent the Group from applying the consolidation or deductible/aggregated method. As long as the Group is able to prove the accuracy of data of the foreign	Noted See the resolution of the specific comments and the relevant CP paragraphs

			undertaking, it has to be able to include it in the Group own fund, and to take profit of diversification effects. CEIOPS or the group supervisor should prescribe a detailed list of available funds (fungible and available) per EEA country, in order to ease and accelerate the process. This list should not be exhaustive, and undertakings should have the possibility to challenge the supervisor during the pre-approval process The Principle of diversification, fungibility, transferability and solvency are mixed-up so still not clear. Some further guidance is expected. We consider that as long as the undertakings are located within the EEA, own funds should be considered as fungible and transferable, since these undertakings are all under the Solvency II regulation: if on a first approach, the own funds are not always transferable, they can be transformed as transferable items with the set up of intra-group loan mechanisms. In the EEA, since the solvency is harmonised, there should not be any local solvency rule in addition to solvency II. As such, a transferrable item is always fungible. Finally, since in Europe, intra-group loans can be set up and are systematically recognised, local own funds shall be transferrable and fungible automatically. Outside EEA, transferability and fungibility have to be analysed together with the capacity of a group to allow for intragroup loans. In this case, any available own funds is transferrable and fungible. CEIOPS do not recognize any transferability of deferred taxes assets. We think this should be allow in any case. When the entities are part of the same fiscal group (entities of the same country for instance), there should be no question. Subordinated debt should be considered as transferable in any case. FFSA strictly disagrees with the fact that the transferability has to be proved under stress tests. The solvency has to be evidenced in a	

			going concern scenario, not under stress test scenarios. To conclude with comments relating to the notions of fungibility and transferability, FFSA would also like to stress that looking at Group solvency ratios solely on a basis that excludes any excess own funds identified as unavailable (as per CEIOPS' definition) can give a very misleading view of the true level of solvency of a Group. To illustrate this point, let's consider a Group made up of two entities, both of whom have solo SCR coverage ratios of 200%, but with excess own funds made up only of items deemed unavailable. If we assume (for the purpose of illustration) no diversification between the two entities, the Group SCR coverage ratio after exclusion of unavailable funds would be only 100%. This would convey the erroneous message that the Group's solvency ratio is very tight, although the reality is that each of the entity making up the Group has a very large margin over its SCR. For this reason, FFSA thinks that it would be more appropriate to look at the overall level of solvency of a Group without deducting excess own funds deemed unavailable. At the same time, FFSA recognizes the relevancy of breaking down such excess own funds into available and unavailable components as this provides another set of information on the ability of Groups to mobilize internal resources for a number of purposes (including making an acquisition, paying dividends...). As a conclusion, taking those various elements into account, FFSA recommends that the solvency of Groups be assessed on the basis of (i) their solvency ratio before exclusion of excess own funds identified as unavailable, complemented by (ii) a disclosure about how the Group excess own funds break down into available and unavailable components. We would like more details on the methodology to follow for participation in the non-financial sector. CEIOPS states that it should be the same at the group and at the solo level, but this do not help to understand the way to consolidate them.	

			We would need more guidance on what is a ring-fenced funds. The CP is dealing with Group specific risks such as reputational risks, contagion risks… with no indication on how to measure it. We consider that these factors can be described in the ORSA. However, the computation of these risks seem impracticable, whether on a standard or internal model. As such, these risks should be excluded from the SCR calculation. Finally, we do not understand why no diversification benefits should be calculated on risk margins at the group level. It could misrecognize the stability gain of well-diversified groups. We suggest that risk margins should be recalculated at group level. The risk of non-recognition of diversification benefit in Own Fund for non-EEA entities is also a main concern at group level and does not seem to encourage the right behaviour.	
11.			Confidential comment deleted	
12.	German Insurance Association – Gesamtverband der D	General Comment	GDV appreciates CEIOPS's effort regarding the implementing measures and likes to comment on this consultation paper. In general, GDV supports the detailed comment of CEA. Nevertheless, the GDV highlights the most important issues for the German market based on CEIOPS' advice in the blue boxes We think that CEIOPS did not recognise sufficiently the group structure in developing its proposals for supervision. There appear to be an too excessive reliance upon solo requirements rather than viewing the group as a coherent economic entity. There are several areas where we think that CEIOPS' advice is not fully in line with the Level 1 text. For example, the Level 1 text clearly states that the accounting-consolidation method is the default method whereas this consultation paper the deduction and	Noted See the resolution of the specific comments and the relevant CP paragraphs

			aggregation method preference. Alignment with accounting rules is crucial unless there are justified reasons for divergence. Wherever possible the group consolidation under Solvency II should follow accounting consolidation unless there are strong arguments for divergence. Any difference will impose significant administrative burdens and will reduce transparency. We would also appreciate the advice being clearer in distinguishing between consolidated accounts representing a Solvency II balance sheet (ideally same as IFRS) and those accounts subject to additional adjustment for the determination of group SCR (for example separate calculation for entities which are subject to different sectoral regulatory requirements). Alignment with accounting is highly desirable because internal control and management is based on accounting figures. "Deconsolidation" would distort the congruence with steering dimensions and risk management. Appropriate harmonisation should be ensured. Article 232 of the Level 1 text requires that the Commission adopt implementing measures specifying the technical principles and methods set out in Articles 218 to 227, and the application of Articles 228 to 231 to ensure homogenous application within the Community. Accordingly we support the goal of harmonisation and believe that supervisors should work towards this common goal and avoid unjustified differences in their approach. A single harmonised rulebook for groups is crucial for the effectiveness of group supervision. We would like to stress the need for coordination by the group supervisor within the college of supervisors and in close contact with the group concerned. We do not agree with CEIOPS that there are additional risks arising	

			from a group. We consider that any group risks will be integral to the Pillar I assessment or identified in the ORSA under Pillar II. There is no need for a separate structure to fuerther inrease capital requirements. The accounting-consolidation method is the default method in the Framework Directive. The accounting-consolidation method is the default method in the Level 1 text and the deduction and aggregation method should not be used to circumvent the recognition of diversification effects via the consolidation method. The recognition of diversification effects should include also those arising from non-EEA entities. Further details are needed on participations in non-financial sectors. We would like more details on the methodology to follow for participation in non-financial sectors. CEIOPS states that it should be the same at the group and at the solo level, but this does not explain how to consolidate. Further clarity is needed on the concepts of "dominant influence" and "significant influence". A helpful starting point would be the principles used by the IASB within IAS 27 and 28 to the extent that these are in line with the Level 1 text. For example, these standards allow the exclusion of participations above 20% which is not consistent with the Level 1 text. In these Standards the concepts of "control" and "significant influence" are defined. The overriding principle should be "substance over form" asSolvency II is based on economic principles. Supervisors should also look at wehther the group is centralised to assess siginificant influence.	

			This should also apply when defining the "group". A legal definition is generally used in the Level 1 text and in the advice for implementing measures with some possibilities to deviate. In our opinion the legal restrictions should act as a rebuttable presumption. If a group wants to deviate by adding or removing an entity form the consolidation scope on grounds of an economic assessment is should be allowed after consultation. There can be situation in which the holding of 17% of capital still implies a significant influence and a situation in which a holding of 25% does not imply significant influence. The same could be applicable when assessing whether or not "control" is exercised. We consider there should be some flexibility in the application of these criteria, within broad guidelines. CEIOPS should give more explanations on the different criteria used to determine the significant or dominant influence (quantitative and qualitative), and the basis of the analysis on which it will form its opinion. CEIOPS should restrict the cases where the supervisors disagree with these criteria to a clearly defined set of situations. Supervisors should generally rely on the consolidation basis of statutory accounts. We also strongly recommend that groups are looked at in their entirety which is corresponding to the consolidated accounting group. Separate analyses of sub-groups pose undue burden to insurance groups. We strongly disagree with theoretical allocation of diversification effects and deducting unavailable own funds covering the solo SCR from group own funds. In our view all solo own funds eligible for covering the solo SCR should be counted as part of the group own funds. Further work is needed on clarifying when own funds are not fully eligible for the group solvency.	

			CEIOPS' new concepts of "fungibility" and "transferability" and their interaction in relation to the Level 1 text should be clarified further. We have a number of specific points on transferability and fungibility: We consider that as long as the undertakings are located within the EEA, own funds should be considered as fungible and transferable, since all these undertakings are covered by Solvency II. If own funds are not transferable, they can always be made transferable by setting up intra-group loan mechanisms. In the EEA, since the solvency is harmonised, there should not be any local solvency rules in addition to Solvency II. As such, a transferable item is always fungible. Finally as in Europe intra-group loans can be set up and are systematically recognised, local own funds shall be transferrable and fungible automatically. See also comment to 3.136. Outside EEA, transferability and fungibility have to be analysed together with the capacity of a group to allow for intragroup loans. In this case, any available own funds is transferrable and fungible. We do not understand well the treatment suggested by CEIOPS on fungibility and transferability of the excess of assets on liabilities, especially the future profits of the portfolio. We think that the nature of future profit implies total fungibility and transferability. CEIOPS does not recognize any transferability of deferred tax assets. We think this should be allowed for when the entities are part of the same fiscal group. We do not understand why subordinated debt is not considered as transferable. It is possible for an entity in a group to settle the subordinated debt of another if the latter is unable to	

			meet its SCR on a solo basis following redemption. We agree that own funds of ring-fenced funds are not transferable if the fund provisions do not allow any transfer of results to the undertakings. We suggest that transferability and fungibility issues are not taken into account at group level. We disagree with the presentation of group solvency here and think that fungibility and transferability are more relevant at solo level. Whilst the transfer of assets from one undertaking to another would not change the consolidation picture of the group solvency, it could affect the solo Solvency situation. There should be consistency with other consultation papers dealing with the same issues. We would like to point out that Pillar II requirements (such as liquidity management) are also dealt with in other implementing measures. Group issues are also addressed in CP58 (Pillar III reporting), in CP61 (IGT + RC) and in CP 62 (colleges). Equivalence not relevant for assessing if own funds of third-countries can be considered as eligible The recognition of eligible own funds for group solvency purpose should not depend on whether or not a third country entity is considered but on clear criteria for all group entities. We believe that diversification effects should be included in the risk margin calculated at group level. If this is not done an additional layer of prudence will be added to the technical provisions. Diversification benefits from non-EEA entities should be recognised. The risk of non-recognition of diversification benefits in own funds	

			for non-EEA entities is a main concern at group level. As long as the group is able to evidence the reliability of information on a non-EEA subsidiary, the group should be allowed to apply the deduction and aggregation or accounting-consolidation method. In situations where the local supervisor does not provide information to the group supervisor, the group should still be able to apply the deduction and aggregation or the accounting-consolidation method as long as it can evidence the reliability of information. The group should then be able to include the non-EEA subsidiary in group own funds and benefit from diversification effects. Group risks should not lead to frequent group capital add-ons. We are concerned that there could be frequent capital add-ons on group risks. We do not agree that there are risks that are specific to groups. The CP implies that risks not covered in the standard formula at solo level, e.g. reputational risk, could warrant a capital add-on at group level. Goodwill has economic value and as such the possibility to assign value to goodwill should not be excluded from the group solvency calculation. Assigning a nil value is inconsistent with the requirements for accounting purposes (under which goodwill is tested for impairment and if it is not impaired by definition it has a non-nil value). If goodwill is assigned a value then obviously the fact that its value maybe impaired under stress circumstances would be considered within the capital requirements. See our comment to 3.158.	
13.	GROUPAMA	General Comment	Groupama has the following issues regarding this CP:	Noted

			- The consolidation perimeter for accounting should be consistent with the supervisory perimeter (substance over form, significant/dominant influence, treatment of ancillary entities etc.). Actions to ensure convergence seem preferable for building a second set of consolidated accounts for group supervision purposes only. (3.38) – We question the threshold of 20% used to determine if an entity should be consolidated or not. We would like to emphasize that in the case of several entities owning one holding, this threshold could not be met for some entities, but we think that following an economic approach the holding and all of its shareholders should be consolidated as one group. - We do not have a good understanding of the treatment suggested by CEIOPS on fungibility and transferability of the excess assets over liabilities, in particular the future profits to be achieved from the portfolio. We believe that the nature of future profits implies in itself the possibility of total fungibility and transferability. We disagree with CEIOPS´ suggestion of limiting transferability for with-profit funds, as the excess assets over liabilities is established after distributing profit-sharing to the policyholders, i.e. it is fully available for the insurer. Not recognizing full transferability would be contrary to the Solvency II principles relating to economic valuation of the balance sheet. We would suggest CEIOPS have a clearer position on the transferability and fungibility of those future profits. (3.158) – We do not understand why subordinated debt is not considered to be a transferable element. We think that it is possible to settle a subordinated debt from one entity in a group with surplus subordinated debt (excess covering its SCR) to another one in the same group if the solvency position of the latter is problematic. This is an element of optimising financing within a group. (3.158)	See the resolution of the specific comments and the relevant CP paragraphs

			– CEIOPS does not recognize any transferability of deferred tax assets. We think this should be allowed when the entities are part of the same fiscal group (entities in the same country, for instance). (3.158) – We would like more details on the methodology to be followed for holdings in the non-financial sector. CEIOPS states that it should be the same at the group and at the solo level, but this does not help us understand how we should consolidate them. – We do not understand why no diversification benefits should be calculated on risk margins at group level. It could fail to recognize the stability gain of well-diversified groups. We suggest risk margins be recalculated at group level. (3.278) – We would need more guidance on what a ring-fenced fund is. We agree that own funds of ring-fenced funds should not be transferable if the fund provisions do not allow any transfer of results to the undertakings. (3.172)	
14.	Groupe Consultatif	General Comment	General comment In the following we provide draft comments on the Consultation Papers "Assessment of Group Solvency" ("CP60") issued by CEIOPS on 2 July 2009 as draft advice for Level 2 Implementing Measures on Solvency II. Our comments focus on actuarial aspects of the documents. Throughout CP60 it is unclear whether CEIOPS refers to standard formula users or all group computations. We would not place unnecessary constraints on the approaches used in internal models. In our feeling a lot of work still is required regarding "Groups". Groupe Consultatif is willing to help with that.	Noted See the resolution of the specific comments and the relevant CP paragraphs
15.	KPMG ELLP	General Comment	(a) We note that there is considerable flexibility in the CP for supervisors to apply judgment in determining the calculation	Noted

			methodology that will apply to individual groups (for example regarding when to apply the deduction and aggregation (D&A) method, the possibility of a hybrid between the accounting consolidation and D&A methods, treatment of non-EEA entities, identification of related companies beyond those treated as such within consolidated financial statements [see 3.32], identification of non-transferable capital and approval of group internal models). We are concerned that this has the potential to introduce a non-level playing field and so we feel it is important that some transparency is introduced to assist readers of the group solvency and financial condition report (SFCR) in understanding the impact of such decisions. (b) We also have reservations about the differing treatments of diversification benefits within the group solvency assessment. The paper explains that this is allowed if the accounting consolidation basis is applied, but not if the D&A approach is followed. Groups adopting an approved internal model approach will also effectively receive credit for diversification. We note in this regard that the Insurance Groups Directive intended the alternative methods to be prudentially equivalent, so we do not understand why such a significant difference should be introduced under Solvency II. We understand this is a natural consequence arising from the mechanics of the calculation, but would ask that this be considered further. If the aim of the group solvency assessment is to provide an indication of the group's strength and its ability to meet its policyholder liabilities, then we believe that diversification should be allowed across the risks. Several EU groups have strong geographic diversification intentionally, and it seems inherently incorrect that two similar groups could be treated differently, purely due to the calculation methodology employed. (c) Against the background of our comments in (b) above, we note with some concern that there appears to be a trend towards	See the resolution of the specific comments and the relevant CP paragraphs

			greater application of the D&A approach (for example the inclusion of non-EEA entities within the group), even though the Level 1 text refers to the accounting consolidation basis as the default method. (d) In accordance with Articles 263a and 264 of the Level 1 text, where EEA (re)insurance undertakings are headed by a non-EEA insurance parent, the treatment applying to group solvency depends on whether the supervisory authority in that jurisdiction has been assessed as equivalent or not. We eagerly await CEIOPS proposals regarding the assessment of equivalence. (e) We note that CEIOPS envisages situations where the composition of the group could be different for accounting and regulatory purposes (through its application of the definition of significant and dominant influence). Unless it can be clearly demonstrated that the group should be different, we believe that the group's composition should be the same for both purposes. Where this is not the case, this would result in an additional consolidation exercise being required for the purposes of assessing group solvency, which has cost implications for groups. (See 3.31) (f) We note that matters discussed in other CP responses, such as to CP46 (Own Funds) and CP58 (Disclosure) should also be read in the context of this CP.	
16.	Legal & General Group	General Comment	We believe that groups should be regarded as coherent economic entities. We do not believe that the deduction and aggregation approach should be rejected at this stage on consultation. Diversification effects should be included in the risk margin calculated at group level. Diversification benefits from non-EEA entities should also be recognised provided evidence is available. We consider that as long as the undertakings are located within the	Noted See the resolution of the specific comments and the relevant CP paragraphs

			EEA, or regimes deemed equivalent, own funds should be considered as fungible and transferable.	
17.	Munich RE	General Comment	We fully support all of the GDV statements and would like to add the following points: We welcome that accounting treatments proposed for the regulatory balance sheet are in line with the international accounting standards (3.82). Given the importance of that message we would prefer it being set up front as introductory statement. It has to be stated clearly that the IFRS consolidation basis corresponds to the regulatory consolidation basis. At the same time we would appreciate the advice being clearer in distinguishing between consolidated accounts representing a Solvency II balance sheet (same as IFRS) and those accounts subject to additional adjustment for the determination of group SCR (for example separate calculation for entities which are subject to different sectoral regulatory requirements). Following Article 219(2) of the Framework Directive CP 60 heavily relies of the concepts of "significant influence" and "dominant influence" which seems to differ from the usual accounting concept of "control relationship" and could lead to a different consolidation basis for regulatory purposes than for statutory purposes as indicated in section 3.47. In order not to overly increase the workload to companies we propose to restrict these cases to a clearly defined set of situations and to rely generally on the consolidation basis of the statutory accounts. In addition, the management of the different undertakings should be taken into account. We strongly recommend that groups are looked at in their entirety which is corresponding to the consolidated accounting group. Separate analyses of sub-groups poses undue burden to	Noted See the resolution of the specific comments and the relevant CP paragraphs

			insurance groups. It should be assured that the accounting consolidation-based method is considered as the standard method as mentioned in the Level 1 text and clear criteria should be established that would justify a deviation from this method.	
18.	Pearl Group Line	General Comment	We are disappointed to see in this paper a general failure by CEIOPS to recognise the group structure in developing its proposals for supervision. There appears to be an excessive reliance upon solo requirements rather than viewing the group as a coherent economic entity. We do not agree with CEIOPS that there are additional risks arising from a group We consider that any group risks will be integral to the Pillar I assessment or identified in the ORSA under Pillar II. There is no need for a separate structure to further increase capital requirements. The accounting-consolidation method is the default method in the Framework Directive. The accounting-consolidation method is the default method in the Level 1 text and the deduction and aggregation method should not be used to circumvent the recognition of diversification effects via the consolidation method. The recognition of diversification effects should include also those arising from non-EEA entities. We believe that diversification effects should be included in the risk margin calculated at group level. If this is not done an additional layer of prudence will be added to the technical provisions. Diversification benefits in own funds for non-EEA entities should also be allowed at group level. Wherever possible the group consolidation under Solvency II should	Noted See the resolution of the specific comments and the relevant CP paragraphs

			follow accounting consolidation unless there are strong arguments for divergence. Any differences will impose significant administrative burdens and will reduce transparency. Further work is needed on clarifying when own funds are fungible and transferable. The concepts of "fungibility" and "transferability" and their interaction should be clarified further. We have a number of specific points on transferability and fungibility: Transferability and fungibility have to be analysed together with the capacity of a group to allow for intra-group loans. In this case, any available own funds are transferrable and fungible. CEIOPS does not recognize any transferability of deferred tax assets. We think this should be allowed for, when the entities are part of the same fiscal group. We do not understand why subordinated debt is not considered as transferable. It is possible for an entity in a group to settle the subordinated debt of another of the latter is unable to meet its SCR on a solo basis following redemption We agree that own funds of ring-fenced funds are not transferable if the fund provisions do not allow any transfer of results to the undertakings. Appropriate harmonisation should be ensured. We believe that supervisors should work towards this common goal and avoid unjustified differences in approach.	
19.	ROAM	General Comment	ROAM has the following remarks regarding this CP: -Overall, where reference is made to consolidated accounts, this should include also 'combinated or aggregated accounts' (comptes combines) or at least reference to the equivalent of consolidated accounts in case of a mutual group.	Noted See the resolution of the specific comments and the relevant CP paragraphs

			–We disagree with CEIOPS suggestion to limit the transferability for with-profit funds, since the excess of assets on liabilities is established after distributing the profit sharing among the policyholders, being then fully available for the insurance undertaking. Not recognizing such features is in contradiction with the Solvency II principles of economic valuation of the balance sheet.(cf. 3.167) – We do not understand why diversification benefits should not be recognised on the risk margins calculated at group level. It could underestimate the benefits of well-diversified groups. We also consider that risk margins should be recalculated at group level. (cf. 3.275 and comments on the risk margin paper) – We would need more guidance on the scope of ring-fenced funds. We agree that own funds covering ring-fenced funds are not transferable when the provisions of the fund do not allow any transfer of results between undertakings. (cf. 3.169)	
20.	Royal Bank of Scotland Insurance	General Comment	With this paper CEIOPS has introduced more questions than to provide answers on group solvency assessment. CEIOPS has failed to address the group structure in development proposals for supervision – rather placing an excessive reliance upon solo requirements rather than considering the group as a coherent economic entity. CEIOPS consider that there are additional risks arising from a group structure, something that we disagree with. Being a member of a group should introduce beneficial synergies, cost savings and risk reductions – therefore diversification benefits. Group risks should be integral to the assessment and not separate. The concepts of fungibility and transferability appear to be confused. Further work is required to define these concepts. Whilst it is widely accepted that group support will not be available from day 1 of Solvency II, CEIOPS proposals appear to imply that	Noted See the resolution of the specific comments and the relevant CP paragraphs

			group support of one form or another would be available, i.e. through the transfer of capital from excess own funds.	
21.			Confidential comment deleted	
22.			Confidential comment deleted	
23.	UNESPA - Spanish Union of Insurance and Rein	General Comment	UNESPA (Association of Spanish Insurers and Reinsurers) appreciates the opportunity to analyze and comment on Consultation Paper 60 on Group Solvency Assessment UNESPA is the representative body of more than 250 private insurers and reinsurers that stand for approximately the 96% of Spanish insurance market. Spanish Insurers and reinsurers generate premium income of more than € 55 bn, directly employ 60.000 people and invest more than € 400 bn in the economy. The comments expresed in this response represent the UNESPA´s views at this stage of the project. As our develops, these views may evolve depending in particular, on other elements of the framework which are not yet fixed. The solvency group assessment principles and calculation methods should be established at Level 2 to assure the harmonization in these issues As a general rule, we understand that the solvency group assessment principles and calculation methods should be clearly defined in the Level 2 Solvency II Framework. In this case, the European harmonization principle is more relevant, due the importance of avoiding that similar participations located in different countries within the same group, are treated differently due to Level 3 local country regulation definition Therefore, participations treatment definition, the different eligible	

			group own funds calculation methods and group capital requirements, and all in all group solvency margin, are issues that we understand should be developed in a mayor level of detail, in order to clarify and support through an impact analysis that the proposals are reasonably the most appropriate in each case. Further clarity is needed on the “Significant influence” and “Dominant influence” concepts We consider that the definition of “Significant influence” and “Dominant influence” are concepts that require further definition, since they actually depend on qualitative requirements to be assessed by the supervisor, and according to the existence of “Significant influence” or “Dominant influence” supervisor’s judgement, the capital requirements calculation method will be different, and therefore, the results. Maximum harmonisation should be ensured: Further details are needed to support the circumstances in which the accounting consolidation method is not applicable and the impacts that other methods will have in the current insurance groups. In relation with the different methods to apply for the calculation of the group solvency margin, the Article 218 establishes, that the accounting consolidation method will be applied by default, unless the group supervisor requires the use of the deduction and aggregation method or a combination of both, nevertheless CEIOPS leaves for Level 3 (see 3.126), the development of a guide which will detail the reasons, to promote the selection of one method or the other, or the combination of both. This may generate uncertainty given that the results obtained, related to diversification benefits versus available group own funds, may be different depending on the application of one method or another. It is necessary to clarify fungibility and transferability concepts in	

			connection with the availability of eligible own funds. These issues should not be considered at group level. Regarding the availability of eligible own funds concept, developed through the fungibility and transferability concepts, requires also a greater level of detail, in order to clarify in its definition when it is necessary to apply one or the other, to the different own funds items, as well as the limits that are going to be set on them, in each case. Lastly we consider that fungibility and transferability is only relevant at solo level. There are not quantitative impact studies which support the existence of group specific risks. Moreover, regarding the group-specific risks and according to SCR and the need to reflect all quantifiable risks to which an insurance undertaking is exposed, Article 101 (3), we believe that currently there is no quantitative impact assessment that promotes the need to quantify additional risks at a group level. In fact, CEIOPS group-specific risks methodology valuation proposal is based on a case by case approach, which finally results in a capital add-on, based not in group-specific risks quantification, but in a case mix/complexity for each case. Therefore, we understand that additional risks to the included in the calculation of the SCR under Pillar I (reputational, contagion, strategic, etc.) should be considered in Pillar II, under a supervision approach aimed at establishing mechanisms to improve their management. Goodwill economic value should be considered in the group solvency calculation with independence of the legal structure of the group. Finally we maintain our position about the consideration of the economic value of goodwill, in any case where groups behave from	

			an economic point of view as a solo undertaking, in such way it should be able to recognize the goodwill with independence of their legal structure. To simplify, accounting consolidation rules should be considered whenever they are alignment with the economic principles under Solvency II philosophy. Recent changes in accounting rules have been based on market consistent basis that reflect better the economic value of the undertakings. So, we understand that Solvency II framework should be alignment with the accounting rules as far as possible, considering that any difference will impose significant administrative burdens and will difficult the entities management.	
24.	XL Capital Ltd	General Comment	We are disappointed that the paper fails to provide sufficient clarity of how group supervisors are defined, in particular in the case of groups with head office located outside the EEA. CEIOPS also seems to to properly recognise group structures in developing its proposals for supervision. There appears to be only an extension of the solo requirements to the group, with possible obstacle to benefiting from the benefits of belonging to a wider group (see 3.89). The paper is unclear at which level the group calculation should be carried out (see 3.101 below) and whether it is a hard test or not. Clarification of the dominant and significant influence issue (see 3.2 below) may partly assist with this issue, but details remain unclear especially on equivalent and non-equivalent regimes. We will eagerly await CEIOPS additional CP on 3rd country groups in early 2010.	Noted See the resolution of the specific comments and the relevant CP paragraphs
25.	Association of British Insurers	1.4.	We would warn against an overreliance on the QIS 4 results for groups as the data was scarce and not sufficiently representative to draw general conclusions. Given the concerns about the reliability	Agreed As stated in par. 1.2.1 when commenting the QIS4 results for

			of the results of the QIS4 exercise, clearly the Level 2 framework - which will be developed before the QIS5 exercise is undertaken - needs to be sufficiently flexible to enable more detailed guidance at Level 3, where necessary, once the QIS5 results are analysed.	groups, CEIOPS noted that the group data were in general subject to more caveats than the solo data
26.	CEA, ECO-SLV-09-454	1.4.	We would warn against an overreliance on the QIS4 results as the data was scarce and not sufficiently representative to draw general conclusions. Also see our comments on 1.6.	Agreed As stated in par. 1.2.1 when commenting the QIS4 results for groups, CEIOPS noted that the group data were in general subject to more caveats than the solo data
27.	Association of British Insurers	1.5.	See comments under 1.4	See resolution of that comment
28.	CEA, ECO-SLV-09-454	1.5.	See our comments on 1.6.	See resolution of that comment
29.	DIMA (Dublin International Insurance & Management	1.5.	When is further work on elements stemming from third countries expected to be available? We would welcome more detail on “equivalence” and the effect of “equivalence” on EU companies with affiliates or holding companies outside the EU to be provided.	In early 2010, CEIOPS will publish a consultation paper on the general criteria for equivalence. Following that, CEIOPS will provide further advice on the individual assessment of equivalence of third country regime.
30.	Association of British Insurers	1.6.	See comments under 1.4	See resolution of that comment
31.	CEA,	1.6.	Given the concerns about the reliability of the results of the QIS4	Agreed

	ECO-SLV-09-454		exercise, clearly the Level 2 framework - which will be developed before the QIS5 exercise is undertaken - needs to be sufficiently flexible to enable more detailed guidance at Level 3, where necessary, once the QIS5 results are analysed. In addition, it t would be useful if Ceiops could specify, in its explanation, which of the main valuation difficulties are addressed in this consultation paper (thus also clarifying which are not).	As stated in par. 1.2.1 when commenting the QIS4 results for groups, CEIOPS noted that the group data were in general subject to more caveats than the solo data. In particular, in QIS4 both groups and supervisors considered useful to identify a list of transferability constraints in order to ensure a consistent implementation of Solvency II.
32.	CEA, ECO-SLV-09-454	2.	**[EMPTY]**	
33.	FFSA	2.1.	Supervisory discretion should be minimised and justified. It is important to note that Article 232 specifies that the implementing measures adopted by the Commission shall specify the 'technical principles and methods set out in Articles 218 to 227 and the application of Articles 228 to 231 to ensure uniform application within the Community'. As a general comment to this consultation paper, the reliance on supervisory discretion throughout the consultation paper raises important questions about the level of uniformity that can be achieved.	Noted
34.	AAS BALTA	2.4.	We approve the use of the Accounting Consolidation-based method as the default method. Helpful to understand in what instances this method is not seen as appropriate and hence substituted by the deduction-aggregation method – need to ensure level playing field	Noted See also revised paragraphs 3,120 -3,128

			is maintained.	
35.	AB Lietuvos draudimas	2.4.	We approve the use of the Accounting Consolidation-based method as the default method. Helpful to understand in what instances this method is not seen as appropriate and hence substituted by the deduction-aggregation method – need to ensure level playing field is maintained.	See resolution of comment 34
36.	Association of British Insurers	2.4.	Further to Article 228 and Article 218 of the Framework Directive, the accounting consolidation based method is to be considered the default method for the calculation of the group solvency. The aggregation deduction method should only be imposed in very specific circumstances after consultation with the other supervisory authorities concerned and the group itself. Therefore, cases where the default method is inappropriate should be limited and exceptional and should be agreed between the group and the supervisor.	Agreed
37.			Confidential comment deleted	
38.	CEA, ECO-SLV-09-454	2.4.	Cases where the default method is inappropriate should be limited and exceptional and should normally be agreed between the group and the supervisor. Article 218(2) states that the accounting consolidation method is to be the first (default) choice but that the group supervisor, in consultation with the other relevant supervisors in the college and the group itself, can decide to apply to a specific group the deduction and aggregation method or a combination of the two methods, where the sole use of the accounting consolidation method would be ‘inappropriate’. We think that it is important that the views of the group itself are taken into account in the consultation process.	Agreed See revised text and revised paragraphs 3,120- 3,128
39.	DENMARK:	2.4.	We approve the use of the Accounting Consolidation-based method	See resolution of comment 34

	Codan Forsikring A/S (10529638)		as the default method. Helpful to understand in what instances this method is not seen as appropriate and hence substituted by the deduction-aggregation method – need to ensure level playing field is maintained.	
40.			Confidential comment deleted	
41.	Investment & Life Assuarnce Group (ILAG)	2.4.	Article 218 only appears to set out the method for (re)insurers participating in a (re)insurer. Companies falling within Art 211.2 (b) ((re)insurers held by insurance holding companies appear not to be addressed.	Article 233 clearly states that Articles 218(2) to 231 apply to (re)insurance undertakings that are subsidiaries of an insurance holding company
42.	Link4 Towarzystwo Ubezpieczeń SA	2.4.	We approve the use of the Accounting Consolidation-based method as the default method. Helpful to understand in what instances this method is not seen as appropriate and hence substituted by the deduction-aggregation method – need to ensure level playing field is maintained.	See resolution of comment 34
43.	NORWAY: Codan Forsikring (Branch Norway) (991 502	2.4.	We approve the use of the Accounting Consolidation-based method as the default method. Helpful to understand in what instances this method is not seen as appropriate and hence substituted by the deduction-aggregation method – need to ensure level playing field is maintained.	See resolution of comment 34
44.	Pearl Group Line	2.4.	Further to Article 228 and Article 218 of the Framework Directive, the accounting consolidation based method is to be considered the default method for the calculation of the group solvency. The aggregation deduction method should only be imposed in very specific circumstances after consultation with the other supervisory authorities concerned and the group itself. Therefore, cases where the default method is inappropriate should be limited and exceptional and should be agreed between the group and the supervisor.	Agreed See revised text and revised paragraphs 3,120- 3,128

45.	RSA Insurance Group PLC	2.4.	We approve the use of the Accounting Consolidation-based method as the default method. Helpful to understand in what instances this method is not seen as appropriate and hence substituted by the deduction-aggregation method – need to ensure level playing field is maintained.	See resolution of comment 34
46.	RSA Insurance Ireland Ltd	2.4.	We approve the use of the Accounting Consolidation-based method as the default method. Helpful to understand in what instances this method is not seen as appropriate and hence substituted by the deduction-aggregation method – need to ensure level playing field is maintained.	See resolution of comment 34
47.	RSA - Sun Insurance Office Ltd.	2.4.	We approve the use of the Accounting Consolidation-based method as the default method. Helpful to understand in what instances this method is not seen as appropriate and hence substituted by the deduction-aggregation method – need to ensure level playing field is maintained.	See resolution of comment 34
48.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	2.4.	We approve the use of the Accounting Consolidation-based method as the default method. Helpful to understand in what instances this method is not seen as appropriate and hence substituted by the deduction-aggregation method – need to ensure level playing field is maintained.	See resolution of comment 34
49.	XL Capital Ltd	2.4.	The accounting-consolidation method is the default method in the Framework Directive. The accounting-consolidation method is the default method in the Level 1 text (and with which we agree) and the deduction and aggregation method should only be used in exceptional circumstances.	See resolution of comment 38
50.			Confidential comment deleted	
51.			Confidential comment deleted	

52.			Confidential comment deleted	
53.			Confidential comment deleted	
54.			Confidential comment deleted	
55.	CEA, ECO-SLV-09-454	2.11.	**[EMPTY]**	
56.			Confidential comment deleted	
57.	Groupe Consultatif	2.16.	Level 2 measures should define the method for taking account of solo capital add-ons in the group SCR, depending on the origin of the add-on imposed by the supervisor: * inadequacy of the standard formula for the risk profile of the entity inadequate internal model for the risk profile of the entity * inadequate governance Level 2 measures should also impose requirements for transparency and coordination within the college of supervisors in terms of solo and group capital add-ons: * justification and formal approval of solo and group capital add-ons by the college of supervisors * official communication to the insurance group management of the method for taking account of solo capital add-ons in the group SCR We think that if a solo capital add-on is imposed by the supervisor because the group internal model is not fully adequate for the risk profile of this entity, this add-on should not be taken into account when calculating the group SCR. The rationale behind is that the group internal model has necessarily been previously approved by	See CP 57

			the college of supervisors; hence this model is not inadequate for the risk profile of the group.	
58.	Institut des actuaires (France)	2.16.	Level 2 measures should define the method for taking account of solo capital add-ons in the group SCR, depending on the origin of the add-on imposed by the supervisor: * inadequacy of the standard formula for the risk profile of the entity * inadequate internal model for the risk profile of the entity * inadequate governance Level 2 measures should also impose requirements for transparency and coordination within the college of supervisors in terms of solo and group capital add-ons: * justification and formal approval of solo and group capital add-ons by the college of supervisors * official communication to the insurance group management of the method for taking account of solo capital add-ons in the group SCR Institut des Actuaires thinks that if a solo capital add-on is imposed by the supervisor because the group internal model is not fully adequate for the risk profile of this entity, this add-on should not be taken into account when calculating the group SCR. The rationale behind is that the group internal model has necessarily been previously approved by the college of supervisors; hence this model is not inadequate for the risk profile of the group.	See CP 57
59.	Association of British Insurers	2.17.	Further advice on the use of the deduction and aggregation method should provide more details on the circumstances in which the default method would be considered inappropriate. See also comments under 2.4.	See resolution of comment 34
60.			Confidential comment deleted	

61.	CEA, ECO-SLV-09-454	2.17.	It is noted that Ceiops may add to the current advice on the use of the deduction and aggregation method following its consultation on treatment of participations at the solo level in the Autumn 2009. This should be in the context of more guidance on the circumstances in which the default method would be considered inappropriate. See also comments on 2.4.	See resolution of comment 34
62.	Pearl Group Line	2.17.	Further advice on the use of the deduction and aggregation method should provide more details on the circumstances in which the default method would be considered inappropriate.	See resolution of comment 34
63.	CEA, ECO-SLV-09-454	3.	**[EMPTY]**	
64.	CEA, ECO-SLV-09-454	3.1.	**[EMPTY]**	
65.	KPMG ELLP	3.1.	We agree that consideration of other financial services directives eventually needs to be undertaken as appropriate to ensure that regulatory arbitrage is minimised and clarity is provided to those groups which cover more than one financial services sector.	Noted
66.	Solvency II Legal Group This response reflects the	3.1.	**[EMPTY]**	
67.	Association of British Insurers	3.2.	The scope of the level 2 advice should not go beyond articles which are subject to implementing measures.	Noted

68.	Pearl Group Line	3.2.	The scope of the level 2 advice should not go beyond articles which are subject to implementing measures.	Noted
69.	XL Capital Ltd	3.2.	The definitions of 'dominant' and 'significant' influence should follow international accounting standards and any changes in the future should be monitored and reflected in the Solvency II regime.	Noted See text in paragraph 3.2
70.	AMICE	3.3.	In our opinion, insurance supervision should rely on a two-level approach: Solo supervision and Group supervision. Recent examples show that a group made up of sound and well managed solo entities may falter due to excessive leverage and/or inappropriate risk exposure through holdings or inappropriately regulated activities.	Noted
71.	Association of British Insurers	3.3.	See comments under 3.2	Noted
72.	CEA, ECO-SLV-09-454	3.3.	**[EMPTY]**	
73.	Pearl Group Line	3.3.	The scope of the level 2 advice should not go beyond articles which are subject to implementing measures.	Noted
74.	AAS BALTA	3.4.	As included in Level 1 text solvency is to be calculated at the level of each insurance holding company No mention is made of a Group consolidation waiver for vertical Groups in a single member country where a Deed of Mutual Guarantee exists.	Noted See revised text in paragraph 3.9.
75.	AB Lietuvos draudimas	3.4.	As included in Level 1 text solvency is to be calculated at the level of each insurance holding company No mention is made of a Group consolidation waiver for vertical Groups in a single member country where a Deed of Mutual Guarantee exists.	See resolution of comment 74

76.	Association of British Insurers	3.4.	See comments under 3.2	Noted
77.			Confidential comment deleted	
78.	CEA, ECO-SLV-09-454	3.4.	**[EMPTY]**	
79.	DENMARK: Codan Forsikring A/S (10529638)	3.4.	As included in Level 1 text solvency is to be calculated at the level of each insurance holding company No mention is made of a Group consolidation waiver for vertical Groups in a single member country where a Deed of Mutual Guarantee exists.	See resolution of comment 74
80.	DIMA (Dublin International Insurance & Management	3.4.	It is unclear whether an EU holding company with holdings in non-EU/EEA insurance and reinsurance undertakings is caught by group solvency calculation requirements.	See level 1 text ar 211, not covered by the directive
81.	Link4 Towarzystwo Ubezpieczeń SA	3.4.	As included in Level 1 text solvency is to be calculated at the level of each insurance holding company No mention is made of a Group consolidation waiver for vertical Groups in a single member country where a Deed of Mutual Guarantee exists.	See resolution of comment 74
82.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.4.	As included in Level 1 text solvency is to be calculated at the level of each insurance holding company. No mention is made of a Group consolidation waiver for vertical Groups in a single member country where a Deed of Mutual Guarantee exists.	See resolution of comment 74
83.	Pearl Group	3.4.	The scope of the level 2 advice should not go beyond articles which	Noted

	Line		are subject to implementing measures.	
84.	RSA Insurance Group PLC	3.4.	As included in Level 1 text solvency is to be calculated at the level of each insurance holding company No mention is made of a Group consolidation waiver for vertical Groups in a single member country where a Deed of Mutual Guarantee exists.	See resolution of comment 74
85.	RSA Insurance Ireland Ltd	3.4.	As included in Level 1 text solvency is to be calculated at the level of each insurance holding company No mention is made of a Group consolidation waiver for vertical Groups in a single member country where a Deed of Mutual Guarantee exists.	See resolution of comment 74
86.	RSA - Sun Insurance Office Ltd.	3.4.	As included in Level 1 text solvency is to be calculated at the level of each insurance holding company No mention is made of a Group consolidation waiver for vertical Groups in a single member country where a Deed of Mutual Guarantee exists.	See resolution of comment 74
87.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.4.	As included in Level 1 text solvency is to be calculated at the level of each insurance holding company No mention is made of a Group consolidation waiver for vertical Groups in a single member country where a Deed of Mutual Guarantee exists.	See resolution of comment 74
88.	XL Capital Ltd	3.4.	The concept of Group Supervisor is not defined in this paragrapgh.	Agreed Definition of Group supervisor according to Article 210(d) added
89.	Association of British Insurers	3.5.	See comments under 2.4	See resolution of comment 36
90.	CEA, ECO-SLV-09-454	3.5.	See comment on 2.4.	See resolution of comment 36
91.	Association	3.6.	See comments under 3.2. Any further clarification of the scope of	Noted

	of British Insurers		group supervision needs to remain clearly within the parameters established by Articles 211 and 212, together with the definitions in Article 210(1) (particularly the definition of 'group') and the requirements of Article 210(2).	See revised text in par 3.2
92.	CEA, ECO-SLV-09-454	3.6.	See comment on 3.2. Any further clarification of the scope of group supervision needs to remain clearly within the parameters established by Articles 211 (i.e. group supervision covers (re)insurance, insurance holding companies and mixed-activity holding companies, where relevant) and 212, together with the definitions in Article 210(1) (particularly the definition of 'group') and the requirements of Article 210(2).	Noted See revised text in par 3.2
93.	Pearl Group Line	3.6.	The scope of the level 2 advice should not go beyond articles which are subject to implementing measures. Any further clarification of the scope of group supervision needs to remain clearly within the parameters established by Articles 211 and 212, together with the definitions in Article 210(1) (particularly the definition of 'group') and the requirements of Article 210(2).	Noted See revised text in par 3.2
94.	German Insurance Association – Gesamtverband der D	3.60.	**[EMPTY]**	
95.	CEA, ECO-SLV-09-454	3.7.	Article 210(1)(c)(i) differentiates between i) 'subsidiaries', ii) 'the entities in which the participating undertaking or its subsidiaries hold a participation' and iii) 'undertakings linked to each other by a relationship as set out in Article 12(1) of the Directive 83/349/EEC' (i.e. management on a unified basis, or 'shared' administrative, management or supervisory bodies).	Noted See revised paragraphs 3.9-3-13 for further clarification

			The advice needs to adequately reflect this differentiation.	
96.	Association of British Insurers	3.9.	2. The concept of "dominant influence" should include qualitative aspects in addition to quantitative thresholds. 3. 'Dominant influence' is mentioned but not defined in the Level 1 text. This concept was introduced in Directive 83/349/EEC (the "Consolidated Accounts Directive"). In that Directive, this concept was separated from the ownership of the majority of voting rights. According to Article 1(c), a dominant influence exists "pursuant to a contract entered into with that undertaking or to a provision in its Memorandum or Articles of Association, where the law governing that subsidiary undertaking permits its being subject to such contracts or provisions". 4. 5. It could therefore be desirable to clarify that the concept of 'dominant influence' extends beyond the holding of majority voting rights or capital (see 3.30), and relates to the definition included in Article 1(c) of the Consolidated Accounts Directive (see 3.31) by explicitly adopting a qualitative dimension, as well as a quantitative dimension. It should draw, inter alia, on Article 12(1) of that Directive. As an example, supervisors can determine that dominant influence exists through holdings of a majority voting rights or capital or through a combination of quantitative (e.g. 40% of voting rights and capital, combined with qualitative considerations (e.g. the existence of 'control' (per the Consolidated Accounts Directive, Article 1) such as shared executives.	Noted See text in paragraph 3.2 Only principle-based approach in Level2
97.	CEA, ECO-SLV-	3.9.	The concept of "dominant influence" should include qualitative aspects in addition to quantitative thresholds.	Noted See text in paragraph 3.2

	09-454		'Dominant influence' is mentioned but not defined in the Level 1 text. This concept was introduced in Directive 83/349/EEC (the "Consolidated Accounts Directive"). In that Directive, this concept was separated from the ownership of the majority of voting rights. According to Article 1(c), a dominant influence exists "pursuant to a contract entered into with that undertaking or to a provision in its Memorandum or Articles of Association, where the law governing that subsidiary undertaking permits its being subject to such contracts or provisions". It could therefore be desirable to clarify that the concept of 'dominant influence' extends beyond the holding of majority voting rights or capital (see 3.30), and relates to the definition included in Article 1(c) of the Consolidated Accounts Directive (see 3.31) by explicitly adopting a qualitative dimension, as well as a quantitative dimension. It should draw, inter alia, on Article 12(1) of that Directive. As an example, supervisors can determine that dominant influence exists through holdings of a majority voting rights or capital or through a combination of quantitative (e.g. 40% of voting rights and capital, combined with qualitative considerations (e.g. the existence of 'control' (per the Consolidated Accounts Directive, Article 1) such as shared executives.	Only principle-based approach in Level2
98.	German Insurance Association – Gesamtverband der D	3.9.	The concept of "dominant influence" should include qualitative aspects in addition to quantitative thresholds. 'Dominant influence' is mentioned but not defined in the Level 1 text. This concept was introduced in Directive 83/349/EEC (the "Consolidated Accounts Directive"). In that Directive, this concept was separated from the ownership of the majority of voting rights. According to Article 1(c), a dominant influence exists "pursuant to a contract entered into with that undertaking or to a provision in its	See resolution of comment 97

			Memorandum or Articles of Association, where the law governing that subsidiary undertaking permits its being subject to such contracts or provisions”. It could therefore be desirable to clarify that the concept of ‘dominant influence’ extends beyond the holding of majority voting rights or capital (see 3.30), and relates to the definition included in Article 1(c) of the Consolidated Accounts Directive (see 3.31) by explicitly adopting a qualitative dimension, as well as a quantitative dimension. It should draw, inter alia, on Article 12(1) of that Directive. As an example, supervisors can determine that dominant influence exists through holdings of a majority voting rights or capital or through a combination of quantitative (e.g. 40% of voting rights and capital, combined with qualitative considerations (e.g. the existence of ‘control’ (per the Consolidated Accounts Directive, Article 1) such as shared executives.	
99.	Pearl Group Line	3.9.	The concept of “dominant influence” should include qualitative aspects in addition to quantitative thresholds. ‘Dominant influence’ is mentioned but not defined in the Level 1 text. This concept was introduced in Directive 83/349/EEC (the “Consolidated Accounts Directive”). In that Directive, this concept was separated from the ownership of the majority of voting rights. According to Article 1(c), a dominant influence exists “pursuant to a contract entered into with that undertaking or to a provision in its Memorandum or Articles of Association, where the law governing that subsidiary undertaking permits its being subject to such contracts or provisions”. It could therefore be desirable to clarify that the concept of ‘dominant influence’ extends beyond the holding of majority voting rights or capital (see 3.30), and relates to the definition included in	See resolution of comment 97

			Article 1(c) of the Consolidated Accounts Directive (see 3.31) by explicitly adopting a qualitative dimension, as well as a quantitative dimension. It should draw, inter alia, on Article 12(1) of that Directive.	
100.	Association of British Insurers	3.10.	We would recommend aligning definitions of 'dominant' and 'significant' influence with international accounting standards (currently IAS 27 and 28). As those are likely to evolve, changes in definitions from the IASB would have to be monitored and reflected in the Solvency II regime. We would imagine that CEIOPS could play a role in ensuring consistency here.	See resolution of comment 97
101.	CEA, ECO-SLV-09-454	3.10.	Aligning the definitions of "dominant influence" and "significant influence" with accounting rules is desirable. The definition of 'participation' included in Article 13(16) of the Level 1 text is clear (and quantitative), and reflects in many ways earlier definitions of 'significant influence'. Ceiops, by mentioning 'significant influence' in the second sentence of this paragraph, implies that 'significant influence' is different from the holding (direct or by way of control) of 20% of the voting rights or capital. As with 'dominant influence' (see 3.9 above), 'significant influence' is mentioned but not defined in the Level 1 text. As with 'dominant influence', this concept has evolved over time. Article 33.1 of the Consolidated Accounts Directive introduced the quantitative concept of 'significant influence', by stating: "An undertaking shall be presumed to exercise a significant influence over another undertaking where it has 20% or more of the shareholders' or members' voting rights in that undertaking." The definition of participation in the Level 1 text includes the possibility of a participation 'by way of control'. The definition of 'control' in the Level 1 text refers back to Art 1 of the Consolidated	See resolution of comment 97

			Accounts Directive. This clearly links the concept of 'significant influence' with the concept of 'control' but does not necessarily support the broad qualitative assessment which Ceiops is indicating is permitted by the Level 1 text. A broader interpretation of the concept is better supported by the definitions of 'subsidiary', 'associate' and 'significant influence' in International Accounting Standards (IAS 27 and 28). However, as definitions from accounting will change, Ceiops will have to monitor the changes and standards and to see if they are still appropriate to use for Solvency II purposes. These are currently defined as: IAS 27 A subsidiary is an entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent). Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IAS 28 An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. In our view this would be a good basis for the definitions in CP60. We propose that the advice in CP60 should set out clearly the quantitative and qualitative considerations that should be used by supervisors when determining 'dominant influence' and 'significant	

			influence' and how these align with other regulatory frameworks or internationally recognised standards. 3.39 below provides certain clarifications of qualitative considerations in terms of both 'dominant influence' and 'significant influence' but further clarification is required (see comments on 3.39). Particular consideration needs to be given to clarifying the implications in terms of cross-holdings of shares, situations where national company law defines 'participation' in terms of the legal form of a group, and the implications of 'durable links' as discussed in 3.43. See comment to 3.38.	
102.	German Insurance Association – Gesamtverb and der D	3.10.	Aligning the definitions of "dominant influence" and "significant influence" with accounting rules is desirable. The definition of 'participation' included in Article 13(16) of the Level 1 text is clear (and quantitative), and reflects in many ways earlier definitions of 'significant influence'. CEIOPS, by mentioning 'significant influence' in the second sentence of this paragraph, implies that 'significant influence' is different from the holding (direct or by way of control) of 20% of the voting rights or capital. As with 'dominant influence' (see 3.9 above), 'significant influence' is mentioned but not defined in the Level 1 text. As with 'dominant influence', this concept has evolved over time. Article 33.1 of the Consolidated Accounts Directive introduced the quantitative concept of 'significant influence', by stating: "An undertaking shall be presumed to exercise a significant influence over another undertaking where it has 20% or more of the shareholders' or members' voting rights in that undertaking." The definition of participation in the Level 1 text includes the possibility of a participation 'by way of control'. The definition of 'control' in the Level 1 text refers back to Art 1 of the Consolidated	See resolution of comment 97

			Accounts Directive. This clearly links the concept of 'significant influence' with the concept of 'control' but does not necessarily support the broad qualitative assessment which CEIOPS is indicating is permitted by the Level 1 text. A broader interpretation of the concept is better supported by the definitions of 'subsidiary', 'associate' and 'significant influence' in International Accounting Standards (IAS 27 and 28). However, as definitions from accounting will change, CEIOPS will have to monitor the changes and standards and to see if they are still appropriate to use for Solvency II purposes. These are currently defined as: IAS 27 A subsidiary is an entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent). Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IAS 28 An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. In our view this would be a good basis for the definitions in CP60. We propose that the advice in CP60 should set out clearly the quantitative and qualitative considerations that should be used by	

			supervisors when determining 'dominant influence' and 'significant influence' and how these align with other regulatory frameworks or internationally recognised standards. 3.39 below provides certain clarifications of qualitative considerations in terms of both 'dominant influence' and 'significant influence' but further clarification is required (see comments on 3.39). Particular consideration needs to be given to clarifying the implications in terms of cross-holdings of shares, situations where national company law defines 'participation' in terms of the legal form of a group, and the implications of 'durable links' as discussed in 3.43.	
103.	Pearl Group Line	3.10.	We would recommend aligning definitions of 'dominant' and 'significant' influence with international accounting standards (currently IAS 27 and 28). As those are likely to evolve, changes in definitions from the IASB would have to be monitored and reflected in the Solvency II regime. We would imagine that CEIOPS could play a role in ensuring consistency here.	See resolution of comment 97
104.			Confidential comment deleted	
105.	CEA, ECO-SLV-09-454	3.11.	The table seems to include in the scope of group supervision Undertaking D, which has a significant influence on B (subsidiary of A). In our view, Undertaking D is clearly out of scope as D and E are part of another group. We would ask Ceiops to explain the rationale for including Undertaking D.	Agreed Illustration revised
106.	FFSA	3.11.	The presented table seems to include in the scope of Group supervision Undertaking D, which has a significant influence on B (subsidiary of A). FFSA believes that D is clearly out of scope, and would like a confirmation from CEIOPS. It has to be noted that the local regulator of D will be the group supervisor for this entity.	Agreed Illustration revised

			Could the CEIOPS give any precision/confirmation about it?	
107.	Milliman	3.11.	A detailed description of the illustration using the introduced terminology for Group participations would make any interpretation much more transparent.	Noted Illustration revised
108.	Association of British Insurers	3.12.	See comment under 3.9. CEIOPS should define criteria used to determine the significant or dominant influence (quantitative and qualitative), and the basis of the analysis on which it will form its opinion as it should not be based only on the opinion of the supervisory authorities but should also rely upon established common understanding and quantitative and qualitative criteria.	See resolution of comment 97
109.	CEA, ECO-SLV-09-454	3.12.	See comments to 3.9 and 3.10 above. Ceiops should define criteria used to determine the significant or dominant influence (quantitative and qualitative), and the basis of the analysis on which it will form its opinion as it should not be based only on the opinion of the supervisory authorities. If supervisory authorities have a role in deciding the criteria, the process for this should be well documented.	See resolution of comment 97
110.	FFSA	3.12.	CEIOPS should define criteria used to determine the significant or dominant influence (quantitative and qualitative), and the basis of the analysis on which it will fund its opinion as it should not be based only from the opinion of the supervisory authorities. FFSA considers that the criteria of consolidation should be fully align with IFRS, ie risk and reward principles, and take into account the materiality and proportionality principles.	See resolution of comment 97
111.	Pearl Group Line	3.12.	CEIOPS should define criteria used to determine the significant or dominant influence (quantitative and qualitative), and the basis of the analysis on which it will form its opinion as it should not be	See resolution of comment 97

			based only on the opinion of the supervisory authorities but should also rely upon established common understanding and quantitative and qualitative criteria.	
112.	Royal Bank of Scotland Insurance	3.12.	CIEOPS is not clear in this paragraph and the preceding paragraphs on definition of groups and supervision where a banking parent (or otherwise) is within the group structure.	Noted
113.	Association of British Insurers	3.14.	6. Entities can only be excluded from group solvency calculation in certain cases. Art 212(2) only permits the exclusion of entities from the group solvency calculation in three clearly defined situations: (a) if the undertaking is situated in a third country where there are legal impediments to the transfer of the necessary information, without prejudice to the provisions of Article 227; (b) if the undertaking which should be included is of negligible interest with respect to the objectives of group supervision; (c) if the inclusion of the undertaking would be inappropriate or misleading with respect to the objectives of the group supervision. The level 2 implementing measures should build on such specific cases and not go beyond. Furthermore, we would require clarification what is meant here by top level of the Group: is the Directive referring only to a top level group company in Europe?	Noted Paragraph 3.14 deleted Noted See article 211 in level 1 text for cases of application. See also section 3.2. describing treatment when head of the group is outside the EEA
114.			Confidential comment deleted	
115.	CEA, ECO-SLV-	3.14.	Entities can only be excluded from group supervision in certain cases.	Noted Paragraph 3.14 deleted

	09-454		It should also be made clear that, while Article 212(2) does permit the exclusion of entities from group supervision, this only applies in three clearly defined situations: (a) if the undertaking is situated in a third country where there are legal impediments to the transfer of the necessary information, without prejudice to the provisions of Article 227; (b) if the undertaking which should be included is of negligible interest with respect to the objectives of group supervision; (c) if the inclusion of the undertaking would be inappropriate or misleading with respect to the objectives of the group supervision. The purpose of the Level 1 text is therefore to limit the extent of the exclusions to specific cases. The application of the proportionality principle could imply that even though an entity is not excluded from group supervision it will still not be explicitly included in the group solvency calculations. Level 2 implementing measures should build on the specific cases mentioned in the Level 1 text to give undertakings and supervisors greater certainty on when to exclude entities from group supervision. We would ask for 3.14 to be redrafted in the following way: "For the purpose of group solvency calculation supervision, the regulatory group could be composed of the (re)insurance undertaking or insurance holding company at the top ultimate level of the group and by its related insurance/reinsurance/financial undertakings. Moreover, Article 212 (2) allows supervisors to exclude entities from the calculation group supervision".	
116.			Confidential comment deleted	
117.	German Insurance Association –	3.14.	Entities can only be excluded from group supervision in certain cases. It should also be made clear that, while Article 212(2) does permit	See resolution of comment 115

	Gesamtverband der D		the exclusion of entities from group supervision, this only applies in three clearly defined situations: (a) if the undertaking is situated in a third country where there are legal impediments to the transfer of the necessary information, without prejudice to the provisions of Article 227; (b) if the undertaking which should be included is of negligible interest with respect to the objectives of group supervision; (c) if the inclusion of the undertaking would be inappropriate or misleading with respect to the objectives of the group supervision. The purpose of the Level 1 text is therefore to limit the extent of the exclusions to specific cases. The application of the proportionality principle could imply that even though an entity is not excluded from group supervision it will still not be explicitly included in the group solvency calculations. Level 2 implementing measures should build on the specific cases mentioned in the Level 1 text to give undertakings and supervisors greater certainty on when to exclude entities from group supervision. We would ask for 3.14 to be redrafted in the following way: "For the purpose of group solvency calculation supervision, the regulatory group could be composed of the (re)insurance undertaking or insurance holding company at the top ultimate level of the group and by its related insurance/reinsurance/financial undertakings. Moreover, Article 212 (2) allows supervisors to exclude entities from the calculation group supervision". We would like CEIOPS to give details on how "negligible interest" is determined. A key difference lies in Article 212(2), 2nd subparagraph, which indicates that while an entity might be excluded as 'negligible interest' on an individual basis, it could be included if, when considered collectively with other such entities, it was no longer considered negligible. Level 2 implementing measures need to provide more insight as to how supervisors would make the	Noted Only principle-based approach in level 2 text

			determination as to which holdings are collectively not of negligible interest. See also the comment on 3.15. CEIOPS' reference to 'financial undertakings' in the first paragraph also requires further clarification.	
118.	Royal Bank of Scotland Insurance	3.14.	It is not clear what further guidance is CIEOPS providing on the qualification of whether certain entities should be excluded or included in the group solvency calculation.	Noted Paragraph 3.14 deleted
119.	ACA – ASSOCIATIO N DES COMPAGNIE S D'ASSURAN CES DU	3.15.	It will be helpful to define when an undertaking is of negligible interest	Noted Only principle-based approach in level 2 text
120.	Association of British Insurers	3.15.	Agreement of the companies included in the group structure will need to take place with the lead supervisor in advance of 2012 (with guidance provided on "negligible interest" criteria) if an appropriate Group Solvency model is to be built (and Group reporting to be ready for publication early in 2013?).	Noted See also resolution of comment 122
121.			Confidential comment deleted	
122.	CEA, ECO-SLV-09-454	3.15.	Level 2 advice needs to explain how supervisors would determine which holdings are collectively of non- negligible interest. A key difference lies in Article 212(2), 2nd subparagraph, which indicates that while an entity might be excluded as 'negligible interest' on an individual basis, it could be included if, when considered collectively with other such entities, it was no longer considered negligible. There should be supervisory convergence in this area.	Noted Only principle-based approach in level 2 text CEIOPS considers that further work may be done at level 3

			Could negligible interest also imply that on a solo level an entity is considered to be material but on a consolidated level it is negligible?	
123.			Confidential comment deleted	
124.			Confidential comment deleted	
125.	CEA, ECO-SLV-09-454	3.16.	See comment to 3.18. This definition implies that the scope of the group supervision can be very large and may include a larger number of related undertakings. It would be important to evaluate the potential consequences of the integration in the supervision of an entity with potential sources of risks.	Noted
126.	FFSA	3.16.	This definition implies that the scope of the group supervision can be very large and may include a large number of relating undertakings. It would be important to evaluate the potential consequences of the integration in the supervision an entity with potential sources of risks.	Noted
127.	ROAM	3.16.	This definition implies that the scope of the group supervision can be very large and may include a large number of relating undertakings. It would be important to evaluate therefore first the potential consequences of the integration in the supervision of an entity with its potential sources of risks within the group.	Noted
128.	Solvency II Legal Group This response reflects the	3.16.	In paragraphs 3.16 and 3.18 of CP 60, it is noted in relation to the definition of a group that “the principle established through the different articles is that all parts of the group necessary to ensure a proper understanding of the group and the potential source of risks within the group have to be included within the scope of group supervision”. While we consider that this principle sets an acceptable test, we also consider that CEIOPS place insufficient	Noted See text in paragraph 3.2

			weight on the importance of achieving convergence so far as possible between the accounting tests and the tests in the Solvency II Directive. We would suggest that, particularly where Method 1 is used, the presumption should be that the group entities included in the consolidation for accounting purposes would also form the group for regulatory purposes, unless there is a good reason for including a specific entity that would not otherwise be included. We do not see that the application of the tests in a regulatory context justifies a separate definition of "dominant influence" or "significant influence". We suggest that, instead of providing examples of the ways in which such influences are usually evidenced (see, for example, paragraph 3.39), the same tests should be applied as in the accounting context. There is a well-developed body of accounting guidance in this area and there is in our view scope for confusion and divergence if a different set of criteria are to be applied by the supervisory authorities. It will also be important to recognise the need for a consistent approach between different national regulators in determining what entities do and do not form part of a group. It would seem desirable to avoid a situation where different national regulators take a different view of dominant influence and/or significant influence. In particular, where group supervision is additionally exercised at national level pursuant to Article 214, it will be desirable to ensure that the national group does not include entities that are not included in the wider group.	
129.	Association of British Insurers	3.17.	We appreciate the reference to the FCD review and suggest that definitions, scope and treatment of participations in the level 2 implementation should be consistent with the final conclusions from the FCD review.	Noted
130.			Confidential comment deleted	
131.			Confidential comment deleted	

132.	European Insurance CFO Forum	3.17.	Level 2 implementation measures should be consistent with the conclusions of the Financial Conglomerates Directive ("FCD") review. The CFO Forum acknowledges reference to the FCD review and suggests that definitions, scope and treatment of participations in the level 2 implementation measures should be consistent with the final conclusions from the FCD review.	Noted
133.	Pearl Group Line	3.17.	We appreciate the reference to the FCD review and suggest that definitions, scope and treatment of participations in the level 2 implementation should be consistent with the final conclusions from the FCD review.	Noted
134.	ACA – ASSOCIATIO N DES COMPAGNIE S D'ASSURAN CES DU	3.18.	Even if it is necessary to cover all the activities of a group in the determination of the group SCR, it will not be easy for these entities in the group which do not belong to financial sector (for example: non regulated entities, see also 3.63)	Note
135.			Confidential comment deleted	
136.	Association of British Insurers	3.18.	We agree with the advice that all parts of the group necessary to ensure a proper understanding of the potential sources of risks have to be included within the scope of group supervision. However, the advice should not imply that non-regulated individual entities should fall in the scope of supervision. The scope of consolidation should match the scope of group supervision. We should seek alignment as the scope of consolidation is supposed to cover significant risks. We would propose that in principle the consolidation circle determined in accordance with the Consolidated Accounts Directive is the basis for determining the group under Solvency II unless article 212 (2)	Noted See revised text in par 3.2

			applies. This should allow allows for proportionality to apply. A number of issues remain open and should be clarified at Level 2: How will group supervision be performed when a group has mixed activities: asset management, banking etc? Can the boundaries of this advice be clarified by specifying the interaction of the FCD and this advice. Would it make more sense to refer to "insurance group" in this advice? Can CEIOPS please clarify is "scope of group supervision": are all entities within this "scope" also in the scope for calculating the group SCR, or can there be a difference? How will CEIOPS be able to ensure that all third countries material for the group are included in the scope of consolidation if the local regulators are not able to provide sufficient documentation to the group regulator? In particular this point seems in contradiction with the process determined for the validation of the Group internal model (CP37) by each local regulator without any standard process which might exclude from the scope of Solvency II scope third countries. How to provide quarterly SCR and MCR at Group level, when the sector/country has different requirements for local reporting.	See paragraph 3.1.3 for the treatment of participations in the calculation of the group SCR See CP 58
137.			Confidential comment deleted	
138.	CEA, ECO-SLV-09-454	3.18.	We agree that all parts of a group contributing positively and/or negatively to the group's risk profile have to be included within the scope of group supervision. This is crucial for recognising existing group diversification benefits. The Level 2 text should clearly be consistent with the Level 1 text and also clarify the concepts of 'dominant/significant influence', 'control' and 'close links' for the purposes of defining the scope of supervision while aligning these	Noted See revised text in par 3.2

			with other regulatory frameworks, particularly IFRS. However, the advice should not imply that non-regulated individual entities should fall in the scope of supervision. A number of issues remain open and should be clarified at Level 2: How will group supervision be performed when a group has mixed activities: asset management, banking etc? Can Ceiops please clarify is “scope of group supervision”: are all entities within this “scope” also in the scope for calculating the group SCR, or can there be a difference? How will Ceiops be able to ensure that all third countries material for the group are included in the scope of consolidation if the local regulators are not able to provide sufficient documentation to the group regulator? In particular this point seems in contradiction with the process determined for the validation of the Group internal model (CP37) by each local regulator without any standard process which might exclude from the scope of Solvency II scope third countries. We recommend that the scope of group supervision be the same as the scope of consolidation. The scope of consolidation should match the scope of group supervision. We should seek alignment as the scope of consolidation is supposed to cover significant risks and there would operational efficiency in aligned the supervision and consolidation scopes. We would also like to point out the scope of consolidation is subject to a close review by auditors. We would propose that in principle the consolidation circle determined in accordance with the Consolidated Accounts Directive is the basis for determining the group under Solvency II unless	

			article 212 (2) applies.	
139.			Confidential comment deleted	
140.	DIMA (Dublin International Insurance & Management	3.18.	The advice would appear to contradict what the entire section to this point appears to deal with, i.e. it only deals with group supervision of third country entities where they are partially or fully owned by an EU undertaking. It does not appear to contemplate an EU branch entity of a third country undertaking.	The Level 1 text has a separate regime for the treatment of third country branches. This may not trigger group requirements
141.	European Insurance CFO Forum	3.18.	The scope of group supervision and consolidation should be consistent. There are operational efficiencies associated with aligning the supervision and consolidation scopes. The CFO Forum recommends that the group supervisor should discuss with the holding undertaking if it considers the scope of consolidation not to be large enough to cover significant risks at the group level as the scope of consolidation should reflect all significant risks. Any judgmental difference between the holding undertaking and the group supervisor should be resolved either by maintaining the current consolidation or expanding it. The CFO Forum believes that principles of proportionality and materiality would be key to any such resolutions and hence should be referenced here.	Noted See resolution of comment 97
142.	FFSA	3.18.	Definition of group and consolidation : FFSA agrees with the point that all parts of the group necessary to ensure a proper understanding of the potential sources of risks have to be included within the scope of group supervision. Can CEIOPS explain how will group supervision be performed when a group has mixed activities: asset management, banking…?	Noted See resolution of comment 97 See level 1 text

			How will the group supervisor be appointed? Will the group supervisor be appointed among the insurance authority control supervisors of the Member State were the holding is based? How will group supervision interact with the supervision of undertakings considered individually? We recommend that the scope of group supervision be the same as the scope of consolidation. If ever the Group supervisor considers that the scope of consolidation is not large enough to cover (at Group level) significant risks, this should be discussed with the holding undertaking because the scope of consolidation is supposed to reflect all significant risks Even if CEIOPS recognizes (3.47) that often the accounting consolidation group is larger than the regulatory one) It should be noted that the scope of consolidation is the object of a close review by auditors. Any judgmental difference between the holding undertaking and the Group supervisor should be resolved either by maintaining the current consolidation or expanding it. As the reporting process is connecting consolidated entities, there is an operational efficiency edge in aligning both supervision and consolidation scopes. Finally, how will CEIOPS be able to ensure that all third countries material for the Group are included in the scope of consolidation if the local regulators are not able to provide sufficient documentation to the Group regulator? In particular this point seems contradictory with the process determined for the validation of the Group internal model (CP37) by each local regulator without any standard process which might exclude from the Solvency II scope the third countries.	See CP 62 and possible further L3 guidance Noted- see also resolution of comment 97
143.			Confidential comment deleted	
144.	German Insurance	3.18.	The advice on the definition of group and the scope of group supervision should be more detailed.	Noted

	Association – Gesamtverb and der D		We agree that all parts of a group contributing positively and/or negatively to the group's risk profile have to be included within the scope of group supervision. This is crucial to recognize existing group diversification benefits. The Level 2 text should clearly be consistent with the Level 1 text and also clarify the concepts of 'dominant/significant influence', 'control' and 'close links' for the purposes of defining the scope of supervision while aligning these with other regulatory frameworks, particularly IFRS. It should provide additional clarity on how the principle of proportionality will be applied and how holdings which would individually be deemed to be of negligible interest could collectively be deemed 'non-negligible'. However, the advice should not imply that non-regulated individual entities should fall in the scope of supervision. A number of issues remain open and should be clarified at Level 2: How will group supervision be performed when a group has mixed activities: asset management, banking etc? Can CEIOPS please clarify is "scope of group supervision": are all entities within this "scope" also in the scope for calculating the group SCR, or can there be a difference? How will CEIOPS be able to ensure that all third countries material for the group are included in the scope of consolidation if the local regulators are not able to provide sufficient documentation to the group regulator? In particular this point seems in contradiction with the process determined for the validation of the Group internal model (CP37) by each local regulator without any standard process which might exclude from the scope of Solvency II scope third countries. We recommend that the scope of group supervision be the same as the scope of consolidation.	See also resolution of comment 97

			The scope of consolidation should match the scope of group supervision. We should seek alignment as the scope of consolidation is supposed to cover significant risks and there would operational efficiency in aligned the supervision and consolidation scopes. We would also like to point out the scope of consolidation is subject to a close review by auditors. We would propose that in principle the consolidation circle determined in accordance with the Consolidated Accounts Directive is the basis for determining the group under Solvency II unless article 212 (2) applies.	
145.	Groupe Consultatif	3.18.	Level 2 measures should state more clearly that the scope of the regulatory consolidation group and the accounting one are the same, except when the 3 following cumulative criteria are met : * the entity is necessary to ensure a proper understanding of the group and the potential sources of risks within the group * and the entity exceeds a certain size (e.g. impact of at least 1% of total consolidated liabilities, or total consolidated own funds, or total consolidated SCR) * and entity-specific information necessary for the Group Solvency Assessment can be collected without excessive costs and delays, and does not jeopardize the timely preparation of prudential reporting at the group level (Solvency and Financial Condition Report and Report to Supervisors) Any difference between the scope of the regulatory consolidation group and the accounting one (inclusion or exclusion of one entity) should be justified by the group management, based on criteria of materiality and expert judgement. If the College of Supervisors thinks that the inclusion or exclusion of one entity would have a material effect on the Group Solvency Assessment, the College	Noted See also resolution of comment 97

			should provide evidence of this materiality and formally approve this decision.	
146.	Institut des actuaires (France)	3.18.	Level 2 measures should state more clearly that the scope of the regulatory consolidation group and the accounting one are the same, except when the 3 following cumulative criteria are met : * the entity is necessary to ensure a proper understanding of the group and the potential sources of risks within the group * and the entity exceeds a certain size (e.g. impact of at least 1% of total consolidated liabilities, or total consolidated own funds, or total consolidated SCR) * and entity-specific information necessary for the Group Solvency Assessment can be collected without excessive costs and delays, and does not jeopardize the timely preparation of prudential reporting at the group level (Solvency and Financial Condition Report and Report to Supervisors) Any difference between the scope of the regulatory consolidation group and the accounting one (inclusion or exclusion of one entity) should be justified by the group management, based on criteria of materiality and expert judgement. If the College of Supervisors thinks that the inclusion or exclusion of one entity would have a material effect on the Group Solvency Assessment, the College should provide evidence of this materiality and formally approve this decision.	Noted See also resolution of comment 97
147.	KPMG ELLP	3.18.	(a) We agree that all parts of the group that give risk to risk for the group should be included within the scope of group supervision. (b) However, as explained elsewhere in this response, we are concerned that there are potentially several instances where diversification between various entities will not be able to be recognised fully.	Noted See also resolution of comment 97

			(c) From a governance perspective, we believe it is important to establish who, within the group, will be responsible for drafting and compiling the group SFCR and for reviewing it.	Noted See CP 58
148.	Legal & General Group	3.18.	Having to include all necessary parts of the group to capture risk is good as it allows for proportionality to be applied. However, this may cause issues where a quarterly SCR and MCR are required at Group level, but the sector/country has differing requirements for local reporting.	Noted
149.	Munich RE	3.18.	We agree to the idea that "all parts of the group necessary to ensure a proper understanding of the group" have to be considered. However, this principle should be fleshed out by providing examples when an undertaking does belong to a group in the regulatory sense and when not.	Noted See also resolution of comment 97
150.	Pearl Group Line	3.18.	We agree with the advice that all parts of the group necessary to ensure a proper understanding of the potential sources of risks have to be included within the scope of group supervision. However, the advice should not imply that non-regulated individual entities should fall in the scope of supervision. The scope of consolidation should match the scope of group supervision. We should seek alignment as the scope of consolidation is supposed to cover significant risks.	Noted See also resolution of comment 97
151.	Royal Bank of Scotland Insurance	3.18.	We agree that non-regulated entities should be included in the group calculation which ensures thorough understanding of the group and leverage possible diversification benefits; it is not clear whether these entities should fall under the scope of supervision and be scrutinised to the same depth of regulated entities.	Noted See also resolution of comment 97
152.			Confidential comment deleted	
153.	UNESPA -	3.18.	See comments on 3.158.	Noted

	Spanish Union of Insurance and Rein			
154.	CEA, ECO-SLV-09-454	3.19.	**[EMPTY]**	
155.	German Insurance Association – Gesamtverb and der D	3.19.	**[EMPTY]**	
156.	Milliman	3.19.	In CP 46 the description Mutual and Mutual-Type Undertakings is used, whereas here and throughout CP 60 it is called Mutual and Mutual-Type Associations. We recommend to use only one of the two terms or to provide a definition of the intended difference.	Noted Associations used in Recital 66(a) which the paragraph 3.19 is referring to
157.	ACA – ASSOCIATIO N DES COMPAGNIE S D'ASSURAN CES DU	3.20.	It could be useful to define which form will take this prior approval.	Noted
158.			Confidential comment deleted	
159.	CEA, ECO-SLV-09-454	3.21.	Ceiops needs to ensure that there is a level playing field between groups and horizontal mutual groups, and that mutual groups are characterised by strong capital ties. The definition under Article 210(1)(c)(ii) for horizontal mutual	Noted Only principle based approach in level 2 text.

			associations (known only in some Member States) establishes the existence of strong and sustainable financial relationships and, as noted by Ceiops in 3.22, 'centralised coordination' which may be aligned to the concept 'unified management' of Article 12(1) of that Directive, given the 'dominant influence over the decisions, including financial decisions, of the other undertakings…'. Article 210(1)(c)(ii) does not refer to 'significant influence'. The introduction of the concept of 'significant influence' in terms of mutuals therefore does not appear to have a clear legal basis in the Level 1 text. Article 210(2), 3rd subparagraph states the supervisory authorities "shall also consider as participation the holding, directly or indirectly, of voting rights or capital in an undertaking over which, in the opinion of the supervisory authorities, a significant influence is effectively exercised". This appears to combine the quantitative and qualitative aspects in order to permit treatment as a participation.	
160.	German Insurance Association – Gesamtverband der D	3.21.	Further clarification on how horizontal mutual groups will be supervised would be desirable. Further to our comments in 3.10, clarification of the qualitative and quantitative considerations defining the scope of group supervision in the context of horizontal mutual groups would be beneficial. CEIOPS needs to ensure that there is a level playing field between groups and horizontal mutual groups, and that mutual groups are characterised by strong capital ties. The definition under Article 210(1)(c)(ii) for horizontal mutual associations (known only in some Member States) establishes the existence of strong and sustainable financial relationships and, as noted by CEIOPS in 3.22, 'centralised coordination' which may be aligned to the concept 'unified management' of Article 12(1) of that Directive, given the 'dominant influence over the decisions, including financial decisions, of the other undertakings…'.	Noted Only principle based approach in level 2 text.

			Article 210(1)(c)(ii) does not refer to 'significant influence'. The introduction of the concept of 'significant influence' in terms of mutuals therefore does not appear to have a clear legal basis in the Level 1 text. Article 210(2), 3rd subparagraph states the supervisory authorities "shall also consider as participation the holding, directly or indirectly, of voting rights or capital in an undertaking over which, in the opinion of the supervisory authorities, a significant influence is effectively exercised". This appears to combine the quantitative and qualitative aspects in order to permit treatment as a participation. Further clarification of how CEIOPS envisages that this concept be used in terms of mutuals would be desirable.	
161.	KPMG ELLP	3.21.	We agree that where organisation structures exist to bind the fate of several mutual or mutual-type organisations together, the risks can be regarded as similar to those applying as part of a group and therefore agree that in these circumstances, the provisions of the Solvency II groups regime in general should apply. We see this as being a significant issue for organisations such as P&I Clubs where certain organisational activities are centralised. Further guidance regarding the assessment to be made in determining when this would apply would be helpful. Consistent with our response at 3.18(c), we believe it will be important to set out which organisation or individuals within this arrangement are responsible for considering all aspects of the groups regime, applied mutis mutandi from the solo regime, in particular, group governance arrangements and the requirements to produce a Group SFCR. In the case of the group SFCR, it could be particularly difficult to ensure consistency of information and disclosure as the risks in such mutual-type organisations envisaged by this paragraph are often very distinct.	Noted Only principle based approach in level 2 text.
162.	ROAM	3.21.	We agree with CEIOPS	Noted

163.	CEA, ECO-SLV-09-454	3.22.	See comments on 3.21.	See resolution of that comment
164.	CEA, ECO-SLV-09-454	3.23.	See comments on 3.21.	See resolution of that commen
165.	ROAM	3.23.	Overall, where reference is made to consolidated accounts, this should include also 'combinated or aggregated accounts' (comptes combines) or at least reference to the equivalent of consolidated accounts in case of a mutual group. Can such paragraph be added?	Agreed See new paragraph 1.4.
166.			Confidential comment deleted	
167.	CEA, ECO-SLV-09-454	3.24.	empty	
168.			Confidential comment deleted	
169.			Confidential comment deleted	
170.			Confidential comment deleted	
171.	Groupe Consultatif	3.29.	It is possible to have 20.1% but not have significant influence. E.g the other 79.9% is held by a single entity/person or a number of strongly related entities who are not related to the subject group.	Noted
172.	Association of British Insurers	3.30.	See comments under 3.38 and 3.9	See resolution of those comments
173.			Confidential comment deleted	
174.	CEA,	3.30.	See comment on 3.38.	See resolution of this comment

	ECO-SLV-09-454			
175.	FFSA	3.30.	This section gives automatic criteria to consider significant influence or dominant influence. FFSA suggests that the analysis be made on a case by case basis, and that quantitative criteria should imply presumptions of influence vs rebuttable evidence of influence. E.g. in the case where an undertaking has a 20% stake in an insurance, and the 80% are held by a single other entity, and that major decisions require a 33% vote, the significant influence is not valid (refer to 3.12).	Noted Paragraph 3.30 deleted See new paragraph 3.24
176.			Confidential comment deleted	
177.	AMICE	3.31.	The definition of the consolidation perimeter for accounting purposes should be consistent with the economic principles of substance over form, significant vs dominant influence, and treatment of ancillary entities. It is preferable to promote convergence with accounting rather than building a second set of consolidated accounts limited to the scope of group supervision.	Noted Paragraph 3.31 deleted See new paragraph 3.24
178.	Association of British Insurers	3.31.	See comments under 3.38 and 3.9	Noted
179.	CEA, ECO-SLV-09-454	3.31.	See comment on 3.38.	Noted
180.	KPMG ELLP	3.31.	(a) We believe that the presumption should be that the accounting and regulatory groups should be the same and that the definition of significant and dominant influence are consistent for both accounting and regulatory purposes. This will aid transparency. We do not believe that there should be many examples, in practice,	Noted Paragraph 3.31 deleted See new paragraph 3.24

			for dominant influence to be exercised for regulatory purposes and not be caught within the definition of dominant influence for accounting purposes. (b) Where such situations exist through individuals (as opposed to legal entity) influence, it would be helpful to clarify how this would be expected to affect the calculation.	
181.	ROAM	3.31.	We agree with CEIOPS	Noted
182.	ACA – ASSOCIATIO N DES COMPAGNIE S D'ASSURAN CES DU	3.32.	If, for regulatory purpose but not for consolidating accounts a dominant influence exist, it is important to inform the public and investors. Some indications about this information would be useful.	See CP 58
183.	AMICE	3.32.	AMICE members welcome the introduction of this paragraph. Supervisors will check then whether the concept of control used for the establishment of the statutory consolidated accounts is consistent with the Level 1 text. We understand that such verification goes two-ways.	Noted
184.	Association of British Insurers	3.32.	The second sentence of this paragraph states "a dominant influence may exist for regulatory purposes, but not for the establishment of the statutory consolidated accounts". As indicated in the comments to 3.10 above, if the concept of 'dominant influence' were aligned to the IFRS concept of control, this would make the scope of group supervision considerably clearer. Although we accept this might not always be possible.	Noted See new paragraph 3.24
185.			Confidential comment deleted	
186.	CEA, ECO-SLV-	3.32.	The second sentence of this paragraph states "a dominant influence may exist for regulatory purposes, but not for the establishment of the statutory consolidated accounts". As indicated in the comments	Noted See new paragraph 3.24

	09-454		to 3.10 above, if the concept of 'dominant influence' were aligned to the IFRS concept of control, this would make the scope of group supervision considerably clearer. Although we accept that this might not always be possible.	
187.			Confidential comment deleted	
188.	FFSA	3.32.	**[EMPTY]**	
189.			Confidential comment deleted	
190.	KPMG ELLP	3.32.	(a) We note that supervisors are required to assess the question of control and dominant influence. In the absence of guidance as to the considerations required, this could result in different interpretations being applied across Member States. (b) It is not clear whether this assessment will be undertaken by the local supervisor, the group supervisor, or whether this is a matter for the College of Supervisors to consider.	Noted Agreed See revised text
191.	Pearl Group Line	3.32.	The second sentence of this paragraph states "a dominant influence may exist for regulatory purposes, but not for the establishment of the statutory consolidated accounts". As indicated in the comments to 3.10 above, if the concept of 'dominant influence' were aligned to the IFRS concept of control, this would make the scope of group supervision considerably clearer. Although we accept this might not always be possible.	Noted See new paragraph 3.24
192.	ROAM	3.32.	We agree with CEIOPS	Noted
193.	Association of British Insurers	3.33.	The introduction of the concept of 'degree of influence' associated with the concept of "dominant influence" in the same paragraph for determining the scope of inclusion might be misleading. Clarity on the scope (both on the top-most level to be reviewed and which entities under it would fall within review) would be welcome.	Noted See new text
194.	CEA,	3.33.	The introduction of the concept of 'degree of influence' (without	Agreed

	ECO-SLV-09-454		further clarification) may increase the possibility of misinterpretation. We assume it refers to 'dominant' and 'significant' influence.	See revised text
195.	FFSA	3.33.	This CP has to precise how the degree of influence will be taken into account and analysed (is it significant / dominant influence or not, or another criteria?)	It is significant/dominant influence. See revised text
196.	Royal Bank of Scotland Insurance	3.33.	"Degree" of influence is subjective and should be quantified.	It is significant/dominant influence. See revised text
197.	Association of British Insurers	3.34.	In our opinion this principle should work two-ways e.g. if an entity holds more than 20% it is assumed it has significant influence unless it can demonstrate otherwise. This should also be applicable for the thresholds for dominant influence. Taking this approach would be in line with economic approach.	Disagree. As laid out in Article 13(16) participation means the ownership of 20% or more of the voting rights or capital. In such a case there is, by definition, a significant influence
198.	CEA, ECO-SLV-09-454	3.34.	In our opinion this principle should work two-ways e.g. if an entity holds more than 20% it is assumed it has significant influence unless it can demonstrate otherwise. This should also be applicable for the thresholds for dominant influence. Taking this approach would be in line with economic approach.	Disagree. As laid out in Article 13(16) participation means the ownership of 20% or more of the voting rights or capital. In such a case there is, by definition, a significant influence .

199.	KPMG ELLP	3.34.	(a) We note the example shown by the diagram in this paragraph of three indirect ownerships giving rise to a participating interest by the ultimate parent. (b) Where the accounting consolidation basis is used, this could result in the need for consolidation adjustments to be made. (c) Where the D&A method is used, careful consideration will be required of the adjustments to be made. For example, since the insurers that hold each of the 8% holdings will have treated this as an investment within their solo solvency assessment, this could result in an adjustment being required to amend the solo SCR of these entities. The current methodology proposed does not make it clear whether such adjustments would be possible, and completes of adjustments may be difficult to prove. (d) It may be difficult to determine the completeness of such indirect holdings in practice, given their likely classification as investments at local level and the geographical and legal entity spread of a number of large groups. The reliance on supervisory decisions (especially in examples such as shown here) could lead to increased regulatory reporting being required to help supervisory authorities make this assessment. We believe that the type of situation shown be regarded as exceptional, and that groups should proceed on a "best endeavours" basis unless instructed otherwise by the supervisory authority.	Noted
200.	Association of British Insurers	3.35.	See comments under 3.10 We would appreciate more clarity over determining group SCR with regard to more diverse types of group structures, eg. with ultimate parent undertakings outside the EEA.	Noted Only principle-based approach in level 2 text. See also section 3.2 for further clarification

201.	CEA, ECO-SLV-09-454	3.35.	See comments on 3.10.	Noted
202.			Confidential comment deleted	
203.	Pearl Group Line	3.35.	We would recommend aligning definitions of 'dominant' and 'significant' influence with international accounting standards (currently IAS 27 and 28). As those are likely to evolve, changes in definitions from the IASB would have to be monitored and reflected in the Solvency II regime. We would imagine that CEIOPS could play a role in ensuring consistency here.	Noted See new paragraph 3.24
204.			Confidential comment deleted	
205.	CEA, ECO-SLV-09-454	3.36.	See comments on 3.39.	Noted
206.	KPMG ELLP	3.36.	See 3.39	Noted
207.	Royal Bank of Scotland Insurance	3.36.	It needs to be made clear whether the definition of significant / dominant influence is one of purely "voting rights" / legal ownership or not limited to those factors.	Noted See new paragraph 3.24
208.	Association of British Insurers	3.37.	The paragraph should state, in addition to indicating that in the case of the removal of 'dominant influence' the entity would no longer be a subsidiary, then significant influence may still remain.	Noted
209.	CEA, ECO-SLV-09-454	3.37.	This paragraph mentions the concept of 'joint control' for the first time (see comment on 3.10). It is not clear whether this refers to the definition of joint control established under IFRS (IAS 31): "joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the	Noted Reference to joint control deleted

			activity require the unanimous consent of the parties sharing control (the venturers)”. We propose that the text is modified to also cover significant influence. The paragraph should state, in addition to indicating that in the case of the removal of ‘dominant influence’ the entity would no longer be a subsidiary, that significant influence may still remain. Also in the case of removal of significant influence, the entity would be removed from the scope of group supervision.	
210.	German Insurance Association – Gesamtverb and der D	3.37.	The concept of joint control should be defined. This paragraph mentions the concept of ‘joint control’ for the first time (see comment on 3.10). It is not clear whether this refers to the definition of joint control established under IFRS (IAS 31): “joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers)”. It would be useful if CEIOPS could provide further clarification on their thinking in this regard. We propose that the text is modified to also cover significant influence. The paragraph should state, in addition to indicating that in the case of the removal of ‘dominant influence’ the entity would no longer be a subsidiary, that significant influence may still remain. Also in the case of removal of significant influence, the entity would be removed from the scope of group supervision.	Noted Reference to joint control deleted
211.	AMICE	3.38.	CEIOPS writes that significant and dominant influences in the Level 1 text are wider concepts than in the Consolidated Accounts Directive. They refer not only to the relationships between undertakings, but also to the relationships between natural persons	Noted

			and undertakings. Although the Level 1 text lays down quantitative thresholds, a dominant or a significant influence may also be identified by supervisors.	
212.	Association of British Insurers	3.38.	In our view the determination should be based on both quantitative and qualitiative criteria defined at level 2 and should be based on the economic nature of the influence.	Noted
213.			Confidential comment deleted	
214.	CEA, ECO-SLV-09-454	3.38.	Appropriate flexibility should be ensured in the application of quantitative and qualitative criteria within broad guidelines (see general comment). This section gives automatic criteria to consider significant influence or dominant influence but also allows the supervisor to identify these. In this case, the supervisor should provide and document the reasons for their decisions. In our view the determination should be based on both quantitative and qualitative criteria and should be based on the economic nature of the influence. There should be alignment with the treatment in accounting. The qualitative criteria should be set out at Level 2. As the Level 1 text does not sufficiently define significant and dominant influence, there could otherwise be too much supervisory discretion. See also our comments on 3.10.	Noted See new paragraph 3.24
215.			Confidential comment deleted	
216.	European Insurance CFO Forum	3.38.	Comments in 3.18 are also relevant here	Noted
217.	European Union member firms of Deloitte	3.38.	Scope of group, dominant and significant influence - Paragraphs. 3.32 to 3.37 - Advice paragraphs 3.38-3.39 The CP notes that the scope of the regulatory group is wider than CAD as its definition includes relationships with natural persons in	Noted See new paragraph 3.24

	Touche Toh		defining parents and participations. We suggest that the CEIOPS advice should clarify that the group will have a responsibility to provide information to the group supervisor not just on group members identified by the group but other potential group members. This information will be required by the group supervisor to determine the scope of the insurance group and the locations of subsidiaries in order to determine the composition of the college of supervisors.	
218.	FFSA	3.38.	§3.38 states that "a dominant or significant influence may also be identified by supervisors". FFSA considers that in this case, the supervisor has to provide with a documented and formal rationale to include an entity scoped out by the participating undertaking in the scope. See our previous comment in §3.18.	Noted See new paragraph 3.24
219.	German Insurance Association – Gesamtverb and der D	3.38.	Appropriate flexibility should be ensured in the application of quantitative and qualitative criteria within broad guidelines (see general comment).This section gives automatic criteria to consider significant influence or dominant influence but also allows the supervisor to identify these. In this case, the supervisor should provide and document the reasons for their decisions. In our view the determination should be based on both quantitative and qualitative criteria and should be based on the economic nature of the influence. There should be alignement with the treatment in accounting. The qualitative criteria should be set out at Level 2. As the Level 1 text does not sufficiently define significant and dominant influence, there could otherwise be too much supervisory discretion. See also our comments on 3.10.	Noted See new paragraph 3.24
220.	GROUPAMA	3.38.	The consolidation perimeter for accounting should be consistent with the supervisory perimeter (substance over form, significant/dominant influence, treatment of ancillary entities etc.). Actions to ensure convergence seem preferable for building a	Noted See new paragraph 3.24

			second set of consolidated accounts for group supervision purposes only.	
221.	Groupe Consultatif	3.38.	We support CEIOPS' view that a dominant or a significant influence may also be identified by supervisors although the Level 1 text lays down certain quantitative thresholds.	Noted
222.	KPMG ELLP	3.38.	We agree that the relationship between entities constituting a group needs to be assessed on an economic basis and not just with reference to quantitative limits. We also believe, in judgemental areas where qualitative aspects are considered in determining the scope of a group, consistency of assessment (between financial statements and regulatory treatment and by different supervisory authorities in relation to EEA groups) should be achieved where possible. Further, we understand why some decisions will need to be considered on a case by case basis, but believe CEIOPS guidance would be helpful to reduce the risk of overtly inconsistent assessments being made. It may also be useful to clarify the regulatory approach with the accounting standard setters (e.g. IASB) to ensure consistency of application between the two regimes as far as possible.	Noted See new paragraph 3.24
223.			Confidential comment deleted	
224.	UNESPA - Spanish Union of Insurance and Rein	3.38.	It is necessary to clarify the "Significant influence" and "Dominant influence" concepts. It is being considered that "significant influence" or "dominant influence" are broader concepts than those based on a higher participation of 20% or 50%, respectively, of voting rights or of another undertaking's capital, due to the existence of certain qualitative requirements used by supervisors, that can also determine the existence of influence relationship (see 3.39). However, this also introduces subjectivity elements, ones the	Noted See new paragraph 3.24

			undertakings have to comply with these qualitative requirements. In this sense, and according to the relation with the parent undertaking (dominant influence, significant influence, others), as well as the undertaking type ((re) insurance company, subject to comply with solvency II, financial or subject to capital requirements, etc.), CEIOPS suggests the application of different calculation methods. See 3.67 - 3.81. In this regard, we consider relevant to establish clear definitions and limits in relation to "Significant influence", "Dominant influence" and other concepts, and also for the methods to be applied in each case according on the type of undertaking, due to that depending on this and the respective results, the undertakings could analyze the impacts and agree or not with the CEIOPS proposed methods for the treatment of participations in the SCR calculation.	
225.	Association of British Insurers	3.39.	The definitions of significant and dominant influence should be as closely aligned as possible to the accounting definitions.	Noted See new paragraph 3.24
226.			Confidential comment deleted	
227.	CEA, ECO-SLV-09-454	3.39.	The list provided appears more suitable to an assessment of 'significant influence' rather than 'dominant influence'. Although there are similarities in the concepts of 'dominant influence' and 'significant influence', these are distinct concepts. Ceiops should bind itself to follow IAIS 28 except in exceptional cases. This requires that this section differentiates between the criteria for significant and dominant influence. The alignment with accounting rules is of key importance, since only this allows using the consolidation method without greater administrative burden. Further, the alignment would allow for a consistent application within the individual member states (unlike is the case today with	Noted See new paragraph 3.24

			the concept of "durable link"). Further guidance should be provided in terms of how supervisors would determine either 'dominant' or 'significant' influence, at Level 3 on a number of the points listed, for example: Representation on the board or equivalent governing body: it will be important to clarify the extent/nature of representation. Participation in the policy-making process: This may be linked to the previous point. Degrees of participation may be possible, and it would be important to further clarify what degree would 'dominant' or 'significant' influence. Material transactions between the investor and the investee: it will be important to establish thresholds in terms of materiality of transactions. Transactions should be analysed depending on their frequency. Provision of essential technical information: Level 3 guidance should clarify what constitutes 'essential technical information'. Another indicator might be shared IT systems. In particular, we would like to know whether a broker can be completely independent and provide technical information (management, delegation), as is often the case in France for credit insurance. This is part of outsourcing assessment, but should be part of consolidation. Managed on a unified basis Without further guidance in these areas, there is a significant risk of inconsistent application. For example, for the sake of completeness (although mentioned in Directive 83/349/EEC, Article 1), other (contractual) dependencies that create factually a dominant influence could be mentioned. In addition, there should be supervisory convergence in the process for assessment and re-assessment (e.g. on timing, and frequency).	

228.			Confidential comment deleted	
229.	European Insurance CFO Forum	3.39.	This paragraph does not support the previous affirmation in 3.38 that differences exist between the scope definitions in both the Solvency and Accounts Directives. The evidence listed in this paragraph is the same as that used to define the consolidation scope. Thus it contradicts with the previous affirmation (see 3.18) that differences exist between the scope definitions within both Solvency & Accounts Directives.	Noted See new paragraph 3.24. CEIOPS deems that the assessment of dominant and significant influence should be consistent as much as possible with the one in consolidation accounts
230.	FFSA	3.39.	CEIOPS should disclose detailed of the following evidence used to establish significant / dominant influence: “The provision of essential technical information” as evidence leading to consider significant/dominant influence: Can CEIOPS disclose about the nature of the technical information? For example, a broker can be completely independent, and provide with technical information (management delegation), as it is often the case in France for credit insurance. This is part of outsourcing assessment, but should not be part of consolidation. “Material transactions between investors and investee” FFSA suggest that transactions must be analyzed depending on their frequency, not only on a material basis. CEIOPS should give more explanations on the different criteria, quantitative and qualitative analysis on which it will fund its review.	Noted See new paragraph 3.24
231.	German Insurance Association – Gesamtverb and der D	3.39.	Further detail is required on how dominant influence and significant influence will be assessed. Although there are similarities in the concepts of ‘dominant influence’ and ‘significant influence’, these are distinct concepts. The list provided appears more suitable to an assessment of	Noted See new paragraph 3.24

			'significant influence' rather than 'dominant influence'. CEIOPS should bind itself to follow IAIS 28 except in exceptional cases. This requires that this section differentiates between the criteria for significant and dominant influence. The alignment with accounting rules is of key importance, since only this allows using the consolidation method without greater administrative burden. Further, the alignment would allow for a consistent application within the individual member states (unlike is the case today with the concept of "durable link"). While the list provided contains some useful elements for the qualitative assessment, further clarification is necessary both in terms of the elements listed and in terms of the process. What would be the timing and frequency of the assessment, what would be the process for re-assessment, how proportionality would be taken into account, and how supervisory convergence would be ensured? Further guidance should be provided in terms of how supervisors would determine either 'dominant' or 'significant' influence, at Level 3 on a number of the points listed, for example: Representation on the board or equivalent governing body: it will be important to clarify the extent/nature of representation. Participation in the policy-making process: This may be linked to the previous point. Degrees of participation may be possible, and it would be important to further clarify what degree would 'dominant' or 'significant' influence. Material transactions between the investor and the investee: it will be important to establish thresholds in terms of materiality of transactions. Transactions should be analysed depending on their frequency. Provision of essential technical information: Level 3 guidance should clarify what constitutes 'essential technical information'.	

			Another indicator might be shared IT systems. In particular, we would like to know whether a broker can be completely independent and provide technical information (management, delegation), as is often the case in France for credit insurance. This is part of outsourcing assessment, but should be part of consolidation. Managed on a unified basis Without further guidance in these areas, there is a significant risk of inconsistent application. For example, for the sake of completeness (although mentioned in Directive 83/349/EEC, Article 1), other (contractual) dependencies that create factually a dominant influence could be mentioned.	
232.	Groupe Consultatif	3.39.	See our comments at 3.38	Noted
233.	KPMG ELLP	3.39.	We do not believe that all of these factors would necessarily indicate the existence of significant/dominant influence. In particular, we believe it would be helpful to provide clarity regarding what is envisaged by the term "provision of essential technical information" and how this should be assessed in relation to significant/dominant influence.	Noted See new paragraph 3.24
234.	Legal & General Group	3.39.	The definitions of significant and dominant influence should be as closely aligned as possible to the accounting definitions	Noted See new paragraph 3.24
235.	ROAM	3.39.	CEIOPS explanation seems to be in line with the SGAM concept. What is not clear for ROAM members is whether the SGAM SCR shall be calculated. More guidance is needed on this topic.	Noted See new paragraph 1.4
236.	UNESPA - Spanish Union of	3.39.	See comments on 3.38.	See resolution of that comment

	Insurance and Rein			
237.	AMICE	3.40.	The definition of consolidation perimeter for accounting purposes should be consistent with supervisory economic principles (substance over form, significant/ dominant influence, treatment of ancillary entities…). Actions to ensure convergence seem preferable rather than building a second set of consolidated accounts which may be only applicable for group supervision.	Agreed In general the scope of group for the purpose of assessing group solvency will be the same as the one of the of the consolidated account. Nevertheless, there might be cases where it might be necessary to adjust the scope (see also new par 3.2).
238.			Confidential comment deleted	
239.	CEA, ECO-SLV-09-454	3.40.	See comment on 3.66.	See resolution of that comment
240.	Groupe Consultatif	3.40.	See our comments at 3.66	See resolution of that comment
241.	Investment & Life Assuarnce Group (ILAG)	3.40.	On a practical level, concern as to how the economic principles will be applied – will there be consistency between different member states?	Level 2 and Level 3 measures have the objective, inter alia, to ensure consistency between different member states
242.	AAS BALTA	3.41.	Although we approve the use of the consolidation approach, it would appear that we will be required to produce consolidated accounts for a number of intermediate holding companies within the Group. This will involve a significant amount of additional work and cost.	Noted

243.	AB Lietuvos draudimas	3.41.	Although we approve the use of the consolidation approach, it would appear that we will be required to produce consolidated accounts for a number of intermediate holding companies within the Group. This will involve a significant amount of additional work and cost.	Noted
244.	DENMARK: Codan Forsikring A/S (10529638)	3.41.	Although we approve the use of the consolidation approach, it would appear that we will be required to produce consolidated accounts for a number of intermediate holding companies within the Group. This will involve a significant amount of additional work and cost.	Noted
245.	Link4 Towarzystwo Ubezpieczeń SA	3.41.	Although we approve the use of the consolidation approach, it would appear that we will be required to produce consolidated accounts for a number of intermediate holding companies within the Group. This will involve a significant amount of additional work and cost.	Noted
246.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.41.	Although we approve the use of the consolidation approach, it would appear that we will be required to produce consolidated accounts for a number of intermediate holding companies within the Group. This will involve a significant amount of additional work and cost.	Noted
247.	RSA Insurance Group PLC	3.41.	Although we approve the use of the consolidation approach, it would appear that we will be required to produce consolidated accounts for a number of intermediate holding companies within the Group. This will involve a significant amount of additional work and cost.	Noted
248.	RSA Insurance Ireland Ltd	3.41.	Although we approve the use of the consolidation approach, it would appear that we will be required to produce consolidated accounts for a number of intermediate holding companies within the Group. This will involve a significant amount of additional work	Noted

			and cost.	
249.	RSA - Sun Insurance Office Ltd.	3.41.	Although we approve the use of the consolidation approach, it would appear that we will be required to produce consolidated accounts for a number of intermediate holding companies within the Group. This will involve a significant amount of additional work and cost.	Noted
250.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.41.	Although we approve the use of the consolidation approach, it would appear that we will be required to produce consolidated accounts for a number of intermediate holding companies within the Group. This will involve a significant amount of additional work and cost.	Noted
251.	Association of British Insurers	3.42.	However when consolidating these regulated entities any intra-group transactions/positions should be eliminated including any capital charges attached to these transactions.	Agreed in principle, but CEIOPS CEIOPS considers that further work may be done at level 3 in order to avoid supervisory arbitrage and any unintended consequences from a prudential point of view
252.			Confidential comment deleted	
253.	CEA, ECO-SLV-09-454	3.42.	However when consolidating these regulated entities any intra-group transactions/positions should be eliminated including any capital charges attached to these transactions.	Agreed in principle, but CEIOPS CEIOPS considers that further work may be done at level 3 in order to avoid supervisory arbitrage and any unintended consequences from a prudential point of view
254.	KPMG ELLP	3.42.	Similar to comments above, we do not envisage many situations when this situation would arise, and believe CEIOPS could helpfully provide some examples. Wherever possible, we think they should be brought into the	See revised text and revised paragraphs 3.120 to 3.128

			consolidated accounts basis (in this respect, we note that there is no definition of this, but we take it to mean the consolidated economic balance sheet prepared on a Solvency II basis) rather than adopt a hybrid methodology to the calculation as envisaged by 3.42 and 3.27.	
255.	Association of British Insurers	3.43.	11. In IAS 28 some deviations to classify a shareholding as 'associate" are allowed. In our opinion CEIOPS should also allow for these deviations and classify these participations as an investment with the subsequent proper treatment.	Noted
256.	CEA, ECO-SLV-09-454	3.43.	If the concept of 'durable link' (currently being reviewed in the context of the FCD) is introduced in Level 2, a clear definition should be included in the text. In this context, please refer to ECO-SLV-09-061, dated 27 February 2009 which states: "While the definition of "control" provided by the Framework Directive takes into account the economic substance of the relationship between the two undertakings (i.e. dominant influence), the definition of participation makes only reference to the ownership of a pre-defined percentage of voting rights or capital, excluding in this way situations where the actual economic substance is not reflected in the formal level of ownership (unless, only in the group supervision context, supervisors recognise that a significant influence is actually exercised.) However, there can be situations where significant influence is exercised even though less than 20% of the voting rights or capital are held. At least for the purpose of SCR calculation, therefore, the inclusion in the definition of participation of the concept of 'durable link' provided by the first sentence of Article 17 of Directive 78/660/EEC would be beneficial. This first sentence reads "..'participating interest' shall mean rights in the capital of other undertakings, whether or not represented by certificates, which, by creating a durable link with those	The definition of participations for the purposes of the group supervision is in the Level 1 text (Art. 13 (16) and Art. 220 (2)). CEIOPS doesn't intend to introduce the concept of "durable link" in Level 2. The paragraph is only a reference to the current work of JCFC on that issue

			undertakings, are intended to contribute to the company's activities". This concept should be covered in the analysis of quantitative and qualitative assessment of relationships (see comment on 3.10). In addition, in IAS 28 some deviations to classify a shareholding as 'associate" are allowed. In our opinion Ceiops should also allow for these deviations and classify these participations as an investment with the subsequent proper treatment.	Noted
257.			Confidential comment deleted	
258.	German Insurance Association – Gesamtverb and der D	3.43.	If the concept of 'durable link' (currently being reviewed in the context of the FCD) is introduced in Level 2, a clear definition should be included in the text. In this context, please refer to ECO-SLV-09-061, dated 27 February 2009 which states: "While the definition of "control" provided by the Framework Directive takes into account the economic substance of the relationship between the two undertakings (i.e. dominant influence), the definition of participation makes only reference to the ownership of a pre-defined percentage of voting rights or capital, excluding in this way situations where the actual economic substance is not reflected in the formal level of ownership (unless, only in the group supervision context, supervisors recognise that a significant influence is actually exercised.) However, there can be situations where significant influence is exercised even though less than 20% of the voting rights or capital are held. At least for the purpose of SCR calculation, therefore, the inclusion in the definition of participation of the concept of 'durable link' provided by the first sentence of Article 17 of Directive 78/660/EEC would be beneficial. This first sentence reads "..'participating interest' shall mean rights in the capital of other undertakings, whether or not represented by	See resolution of comment 256

			certificates, which, by creating a durable link with those undertakings, are intended to contribute to the company's activities". This concept should be covered in the analysis of quantitative and qualitative assessment of relationships (see comment on 3.10). In addition, in IAS 28 some deviations to classify a shareholding as 'associate" are allowed. In our opinion CEIOPS should also allow for these deviations and classify these participations as an investment with the subsequent proper treatment.	
259.	CEA, ECO-SLV-09-454	3.44.	The JCFC's work on participation triggers should not delay development of Level 2. Additional considerations resulting from this work could be included in Level 3 guidance, as long as the Level 2 text provides the basis for such guidance.	Agreed See revised text
260.	German Insurance Association – Gesamtverband der D	3.44.	The JCFC's work on participation triggers should not delay development of Level 2. Additional considerations resulting from this work could be included in Level 3 guidance, as long as the Level 2 text provides the basis for such guidance.	Agreed See revised text
261.	Royal Bank of Scotland Insurance	3.44.	It is not clear what CIEOPS was proposing to do with the output of the analysis from JCFC. The community needs to know answers now rather than waiting for those of other committees.	Noted See revised text for clarifications
262.	Association of British Insurers	3.45.	We believe that the statutory accounting balance sheet should provide the starting point for regulatory reporting. We recognise that prudential filters may be needed in certain areas. These should be kept to a minimum so as to make comparisons between the two balance sheets easier.	Agreed See resolution of comment 237
263.			Confidential comment deleted	
264.	CEA,	3.45.	Statutory accounting balance sheet should be used as the basis and	Noted

	ECO-SLV-09-454		further details should be given on prudential filters, if there are any. In 3.45 reference is made to "prudential filters" for the regulatory balance sheet. Apart from making it hard to compare those balance sheets with the statutory accounting balance sheet, we note that prudential filters are not based on economic principles rather they are a result of reconciliation of regulatory balance sheets with accounting balance sheet. It should also be noted that in some cases prudential filters are combined with a market based test on the adequacy of the technical provisions, which makes these inappropriate. As a result, we fully agree with using the statutory accounting balance sheet as basis, as stated in 3.46. Ceiops needs to provide additional guidance and examples on prudential filters, if any, and how they will operate in practice when different consolidation methods are needed, particularly in terms of the application of the proportionality principle. In addition, additional information requirements should be designed in such a way that the burden on supervised entities is not excessive, in line with the 'Better Regulation' principle. In this regard, Recital 28 of the Level 1 text should be taken into account "Valuation standards for supervisory purposes should be compatible with international accounting developments, to the extent possible, so as to limit the administrative burden on insurance or reinsurance undertakings".	The details of possible prudential filters may be indicated only when the accounting framework is defined
265.	CRO Forum	3.45.	**[EMPTY]**	
266.	European Insurance CFO Forum	3.45.	Prudential filters are not based on economic principles and are inappropriate for solvency reporting.	See resolution of comment 264

			As well as making regulatory and statutory balance sheets hard to compare, “prudential filters” are not based on economic principles and are in some cases combined with a market based test on the adequacy of the technical provisions. This makes them inappropriate for use in this context. The market value balance sheet should be used as the basis for solvency reporting. For solvency purposes, all subsidiaries have to deliver a market value balance sheet. These are not comparable with IFRS and so we fully agree with using the market value balance sheet as the basis for solvency reporting.	
267.	German Insurance Association – Gesamtverb and der D	3.45.	Statutory accounting balance sheet should be used as the basis and further details should be given on prudential filters, if there are any. In 3.45 reference is made to “prudential filters” for the regulatory balance sheet. Apart from making it hard to compare those balance sheets with the statutory accounting balance sheet, we note that prudential filters are not based on economic principles rather a result of reconciliation of regulatory balance sheets with accounting balance sheet. It should also be noted that in some cases prudential filters are combined with a market based test on the adequacy of the technical provisions, which makes these inappropriate. As a result, we fully agree with using the statutory accounting balance sheet as basis, as stated in 3.46. CEIOPS needs to provide additional guidance and examples on prudential filters, if any, and how they will operate in practice when different consolidation methods are needed, particularly in terms of the application of the proportionality principle. In addition, additional information requirements should be designed	See resolution of comment 264

			in such a way that the burden on supervised entities is not excessive, in line with the 'Better Regulation' principle. In this regard, Recital 28 of the Level 1 text should be taken into account "Valuation standards for supervisory purposes should be compatible with international accounting developments, to the extent possible, so as to limit the administrative burden on insurance or reinsurance undertakings".	
268.	Groupe Consultatif	3.45.	We found paragraphs 3.45-3.50 not very clear. We understand that the starting point for the consolidation should be the consolidated IFRS accounts. However, it should be highlighted that an important adjustment to these group accounts is the valuation of assets and liabilities on market consistent valuation principles in line with the valuation at solo level following the FD Art. 222 in connection with Art. 74.	Noted See revised text
269.	Munich RE	3.45.	Examples for the "prudential filters" should be provided in order to make this concept more tangible.	See resolution of comment 264
270.	Pearl Group Line	3.45.	We believe that the statutory accounting balance sheet should provide the starting point for regulatory reporting. We recognise that prudential filters may be needed in certain areas. These should be kept to a minimum so as to make comparisons between the two balance sheets easier.	Agreed See also resolution of comment 237
271.	AMICE	3.46.	CEIOPS writes that where IFRS applies (Since 1 January 2005 by European listed companies), the IFRS accounting developments constitutes one of the inputs to assess the magnitude, and quality and volatility of the institutions eligible own funds. This statement requires further clarification. AMICE members wonder whether CEIOPS intends to make compatible local GAAP financial statements with IFRS. If this is the case, CEIOPS should work on transposing relevant IFRS rules.	Noted See revised text
272.	Association	3.46.	If changes in IFRS consolidation rules occur they should be adopted	Noted

	of British Insurers		into the regulatory reporting unless they directly contradict solvency II requirements. IFRS consolidated accounts should be the basis for a Group Solvency II Balance Sheet without adjustments concerning the basis of consolidation.	See revised text
273.	CEA, ECO-SLV-09-454	3.46.	If changes in IFRS consolidation rules occur they should be adopted into the regulatory reporting unless they directly contradict Solvency II requirements. IFRS consolidated accounts should be the basis for a Group Solvency II Balance Sheet without adjustments concerning the basis of consolidation. We would ask for the last sentence of this paragraph to be deleted as it is unclear to us how IFRS accounting developments could be used to assess the own funds under Solvency II. See comments to 3.45.	Noted Agreed See resolution of those comments
274.	German Insurance Association – Gesamtverband der D	3.46.	If changes in IFRS consolidation rules occur they should be adopted into the regulatory reporting unless they directly contradict Solvency II requirements. IFRS consolidated accounts should be the basis for a Group Solvency II Balance Sheet without adjustments concerning the basis of consolidation. We would ask for the last sentence of this paragraph to be deleted as it is unclear to us how IFRS accounting developments could be used to assess the own funds under Solvency II. See comments to 3.45.	See resolution of comment 273
275.	Groupe Consultatif	3.46.	See our comment 3.45	See resolution of that comment
276.	Munich RE	3.46.	If changes in IFRS consolidation rules occur they should be adopted into Solvency II consolidation rules provided that they are in line with economic principles. IFRS consolidated accounts should be the basis for a Group Solvency II Balance Sheet without adjustments concerning the basis of consolidation.	See resolution of comment 273

277.	Pearl Group Line	3.46.	If changes in IFRS consolidation rules occur they should be adopted into the regulatory reporting unless they directly contradict solvency II requirements. IFRS consolidated accounts should be the basis for a Group Solvency II Balance Sheet without adjustments concerning the basis of consolidation.	See resolution of comment 273
278.	ROAM	3.46.	CEIOPS advises that for the treatment of participations the statutory balance sheet should be used as a basis for consolidation. We agree. But CEIOPS also mentions that where IFRS applies, this starting point may have to be adjusted to account for changes in international accounting standards and the IFRS accounting developments constitute one of the inputs to assess the own funds. This statement requires clarification: does this imply that for non-IFRS insurers statutory accounts should be made compatible with IFRS? In such case, CEIOPS should provide for a transposition of the relevant norms. It should be noted however that IAS/IFRS accounting has as purpose to define the market value of a company, whereas such concept is meaningless for a mutual undertaking. Or does it imply that IFRS accounts for those companies subject to IFRS are not static and should follow the new developments?	Noted See resolution of comment 273
279.	Association of British Insurers	3.47.	We are unclear how insurance companies which are excluded from an accounting group could be consolidated under method 1, the accounting consolidation method. There are a number of companies over which dominant influence is exercised but from which the related companies would not benefit financially, other than by possible means of physically transferring assets as loan capital if needed. Consolidation involves elimination of investments in subsidiary companies which will not eliminate if additional companies are included from other holding company	Noted See revised text

			groups within the worldwide Group. We would welcome further clarity on this.	
280.			Confidential comment deleted	
281.	CEA, ECO-SLV-09-454	3.47.	If an economic approach is used both for consolidated accounting and group supervisory purposes, there should be increased convergence in their scope. The second sentence in this paragraph is superfluous, and it does not necessarily reflect our experience.	Agreed See revised text
282.			Confidential comment deleted	
283.	German Insurance Association – Gesamtverband der D	3.47.	If an economic approach is used both for consolidated accounting and group supervisory purposes, there should be increased convergence in their scope. The second sentence in this paragraph is superfluous, and it does not necessarily reflect our experience.	Agreed
284.	Groupe Consultatif	3.47.	See our comment 3.45 To limit the administrative burden and implementation costs of Group Solvency Assessment, differences between the regulatory consolidation group and the accounting one should be the exception and not the rule.	Agreed See also resolution of comment 237
285.	Institut des actuaires (France)	3.47.	To limit the administrative burden and implementation costs of Group Solvency Assessment, differences between the regulatory consolidation group and the accounting one should be the exception and not the rule.	Agreed See also resolution of comment 237
286.	KPMG ELLP	3.47.	The reference here to the accounting consolidation group being potentially larger than the regulatory group is slightly confusing. In this context we assume CEIOPS is referring to the situation where consolidated financial statements are prepared higher up the group than the highest insurance parent undertaking.	Noted See revised text

287.	Association of British Insurers	3.48.	We support this paragraph. The calculations of the own funds and capital requirements are then made on the level of the group based on the consolidated financial statement data.	Noted
288.			Confidential comment deleted	
289.	CEA, ECO-SLV-09-454	3.48.	We support this paragraph. The calculations of the own funds and capital requirements are then made on the level of the group based on the consolidated financial statement data.	Noted
290.	German Insurance Association – Gesamtverband der D	3.48.	We support this paragraph. The calculations of the own funds and capital requirements are then made on the level of the group based on the consolidated financial statement data.	Noted
291.	Groupe Consultatif	3.48.	See our comment 3.45	See resolution of that comment
292.	KPMG ELLP	3.48.	(a) We agree with the approach to minority interests set out in this paper, when taken as a whole (see 3.49). (b) Although expressed in terms of an EEA (re)insurer, we believe this approach could equally be applied to non-EEA (re)insurance undertakings.	Noted Agreed See revised text
293.	Association of British Insurers	3.49.	We fully agree with the fact that a proxy could be used when the current year SCR of a related undertaking under significant influence is not available, using past year data. However we question the adjustment for the annual movement in premiums. For example if premiums are significantly lower the SCR would incorrectly be lowered. We suggest using the development of the	Partially agreed CEIOPS deems that the previous SCR should be adjusted for the

			technical provisions for the adjustments as this would represent a better measure of the development of the risks in the participation. CEIOPS should be careful when defining the group's "share" in the participation when calculating the SCR. It should be consistent with the method of determine a participation. Currently in the IGD, participation is defined on voting rights or capital, whereas the proportion for inclusion is based on shares. The latter can include preference shares with no voting rights, giving rise to a different proportion included in the group calculation than what is actually held.	annual development of premiums for non-life business and of technical provisions for life business (see revised text) Noted
294.	CEA, ECO-SLV-09-454	3.49.	We agree with the use of previous year's SCR as a proxy when current SCR is not available but ask for two modifications. We fully agree with the fact that a proxy could be used when current year SCR of a related undertaking under significant influence is not available, using past year data. However we question the adjustment for the annual movement in premiums. For example if premium is significantly lower the SCR would incorrectly be lowered. We suggest using the development of the technical provisions for the adjustments as this would represent a better measure of the development of the risks in the participation. In addition, the use of SCR from previous year could be an issue during the first year of application of Solvency II, when no data will be available at all. We stress the importance of the application of proportionality and materiality principles, and consider that for the first year, Solvency I data could be used for these undertakings under significant influence.	Noted Partially agreed CEIOPS deems that the previous SCR should be adjusted for the annual development of premiums for non-life business and of technical provisions for life business (see revised text) Agreed
295.			Confidential comment deleted	
296.	DIMA (Dublin International	3.49.	The last sentence of this paragraph is more relevant to non-life than to life business. Adjusting the SCR by the annual movement in premiums may not be an appropriate proxy for life business. It may	Agreed See revised text

	Insurance & Management		be more relevant to adjust for the change in technical provisions.	
297.	European Insurance CFO Forum	3.49.	Technical provisions rather than premiums should be used to adjust the previous year's SCR if the current year SCR is not available. The last sentence of this paragraph suggests that when the SCR for the current year is not available, the previous SCR should be used as a proxy, adjusted for the annual movement in premiums. We do not believe that premium development is a suitable choice. For example lower premiums in the current year would lead to a reduction in the SCR which would not be appropriate. We recommend that the development of technical provisions is used to adjust the SCR as this would better represent the development of the risk. However, we recognise that the chosen method should be appropriate for the class of business being considered.	See resolution of comment 294
298.	FFSA	3.49.	FFSA fully agrees with the fact that a proxy could be used when current year SCR of a related undertaking under significant influence is not available, using past year data. However, this could be an issue during the first year of application of solvency II, when no data will be available at all. FFSA reminds the application of proportionality and materiality principle, and considers that for the first year, Solvency I data could be used for these undertakings under significant influence.	See resolution of comment 294
299.	German Insurance Association – Gesamtverb and der D	3.49.	We agree with the use of previous year's SCR as a proxy when current SCR is not available but ask for two clarifications. We fully agree with the fact that a proxy could be used when current year SCR of a related undertaking under significant influence is not available, using past year data. However we question the adjustment for the annual movement in premiums.	See resolution of comment 294

			For example if premium is significantly lower the SCR would incorrectly be lowered. We suggest using the development of the technical provisions for the adjustments as this would represent a better measure of the development of the risks in the participation. In addition, the use of SCR from previous year could be an issue during the first year of application of Solvency II, when no data will be available at all. We stress the important of the application of proportionality and materiality principles, and considers that for the first year, Solvency I data could be used for these undertakings under significant influence.	
300.	Groupe Consultatif	3.49.	See our comment 3.45	See resolution of that comment
301.	KPMG ELLP	3.49.	(a) This paragraph could usefully be cross referenced to 3.190, since although this requires that 100% of a participation will initially be included in group Own Funds, the minority interest's proportion of the excess of Own Funds over its SCR is then treated as non-transferable and hence excluded from the final group solvency assessment. (b) We agree with the proposal to derive a proxy SCR by adjustment of the prior year SCR where the current SCR is unavailable. However, we believe that the adjustment should take into account more factors than just the movement in premiums. We believe it should be adjusted, on an sufficiently sophisticated (using a CP55 expression) basis for all significant changes in risks to which the undertaking is exposed. The approach suggested in CP55 in respect of determining a simplified SCR for the purposes of assessing the MCR corridor appear to us to be a better proxy adjustment to apply in this situation than that proposed. A similar approach could be taken in determining the SCR in relation to non-EEA (re)insurance undertakings that are not regulated by an equivalent regulator.	(a) The treatment of minority interests is relevant only in case of dominat influence that implies a full integration of the participation in the accounts (see par. 3.48) (b) Partially agreed See also resolution of comment 294

			(c) The method proposed regarding significant influence participations would appear to mean that no diversification will be allowed between these entities and the rest of the group. Could CEIOPS please clarify whether this is its intention.	(c) Yes, no diversification will be allowed between these entities and the rest of the group
302.	Groupe Consultatif	3.50.	The reference to solo factors here implies that the text relates to the standard formula SCR. Here and elsewhere CEIOPS should make clear which if any of the proposals are to be read as constraints on internal models. See also our general comments	Noted
303.	KPMG ELLP	3.50.	We presume that CEIOPS means that this is because the risk of such investments is captured via the consideration of a range of risks (market, credit) in calculation of the SCR	When the group's interest in a (re) insurer is non significant the contribution to the group SCR should be calculated applying the equity and concentration risk charge to the value of the participation as at solo level. The paragraph has been deleted to avoid any confusion with the treatment of participations
304.	AAS BALTA	3.51.	Credit institutions, investment firms and financial institutions can be included in the Group solvency calculation using the consolidation method providing the group supervisor is satisfied with the level of integrated management and control. Need to ensure that this creates a level playing field.	Noted
305.	AB Lietuvos draudimas	3.51.	Credit institutions, investment firms and financial institutions can be included in the Group solvency calculation using the consolidation method providing the group supervisor is satisfied with the level of integrated management and control. Need to ensure that this creates a level playing field.	Noted
306.	DENMARK: Codan	3.51.	Credit institutions, investment firms and financial institutions can be included in the Group solvency calculation using the	Noted

	Forsikring A/S (10529638)		consolidation method providing the group supervisor is satisfied with the level of integrated management and control. Need to ensure that this creates a level playing field.	
307.	Link4 Towarzystwo Ubezpieczeń SA	3.51.	Credit institutions, investment firms and financial institutions can be included in the Group solvency calculation using the consolidation method providing the group supervisor is satisfied with the level of integrated management and control. Need to ensure that this creates a level playing field.	Noted
308.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.51.	Credit institutions, investment firms and financial institutions can be included in the Group solvency calculation using the consolidation method providing the group supervisor is satisfied with the level of integrated management and control. Need to ensure that this creates a level playing field.	Noted
309.	RSA Insurance Group PLC	3.51.	Credit institutions, investment firms and financial institutions can be included in the Group solvency calculation using the consolidation method providing the group supervisor is satisfied with the level of integrated management and control. Need to ensure that this creates a level playing field.	Noted
310.	RSA Insurance Ireland Ltd	3.51.	Credit institutions, investment firms and financial institutions can be included in the Group solvency calculation using the consolidation method providing the group supervisor is satisfied with the level of integrated management and control. Need to ensure that this creates a level playing field.	Noted
311.	RSA - Sun Insurance Office Ltd.	3.51.	Credit institutions, investment firms and financial institutions can be included in the Group solvency calculation using the consolidation method providing the group supervisor is satisfied with the level of integrated management and control. Need to ensure that this creates a level playing field.	Noted
312.	SWEDEN:	3.51.	Credit institutions, investment firms and financial institutions can	Noted

	Trygg-Hansa Försäkrings AB (516401-7799)		be included in the Group solvency calculation using the consolidation method providing the group supervisor is satisfied with the level of integrated management and control. Need to ensure that this creates a level playing field.	
313.	Association of British Insurers	3.52.	It needs to be clarified that this refers to all asset management companies which are subject to EU capital requirements under MiFID/CRD/UCITS, and potentially the draft AIFM directive.	Agreed See revised text
314.	CEA, ECO-SLV-09-454	3.52.	This should refer to all asset management companies which are subject to EU capital requirements under MiFID/CRD/UCITS, and potentially the draft AIFM directive. The draft AIFM directive would currently impose authorisation and capital requirements on managers of all funds which are currently outside the scope of UCITS legislation, including hedge funds, private equity, real estate funds, etc. It is possible that the negotiations in Council and the Parliament may relax some of the requirements in relation to certain funds. Ceiops should, therefore, consider its approach where asset managers are either regulated only at a national level – or not at all.	Agreed See revised text
315.	Pearl Group Line	3.52.	It needs to be clarified that this refers to all asset management companies which are subject to EU capital requirements under MiFID/CRD/UCITS, and potentially the draft AIFM directive.	See resolution of comment 313
316.	Association of British Insurers	3.53.	A group that does not qualify as a financial conglomerate under the FCD, must not be turned into a financial conglomerate under Solvency II. Similarly to comments under 3.10, the accounting definition should provide the basis of reference.	Agreed See revised text
317.	CEA, ECO-SLV-09-454	3.53.	A group that does not qualify as a financial conglomerate under the FCD, must not be turned into a financial conglomerate under Solvency II.	Agreed See revised text
318.	Munich RE	3.53.	A group that does not qualify as a financial conglomerate under the	Agreed

			FCD, must not be turned into a financial conglomerate under Solvency II.	See revised text
319.			Confidential comment deleted	
320.	CEA, ECO-SLV-09-454	3.54.	We would ask for the second sentence of this paragraph to be deleted because it is not a valid argument for not allowing diversification effects being recognised in the FCD methods. See also comment on 3.74.	Noted
321.	CRO Forum	3.54.	We do not see why different solvency requirements would provide an argument for not considering diversification. Diversification does not relate to rules, rather to economic principles (as stated in paragraph 3.66). Obviously the approach to determine the diversification should take account of the different methodologies underlying the specific solvency requirements. This is especially so where an adequate internal model is used.	Noted
322.	European Insurance CFO Forum	3.54.	Arguments against diversification benefits do not appear well-founded. The CFO Forum believes that different solvency requirements or sectoral rules are not arguments against diversification. Diversification of risks and fungibility/transferability of funds are separate issues and should be assessed separately. The overall group SCR should consider both. Diversification reflects the economics of pricing independent risks on a marginal cost basis. That marginal cost depends on the diversity of risks already written or expected to be written. Group diversification benefits should be allocated to the solo level as policyholders are better protected by group-wide diversity.	Noted
323.	Groupe Consultatif	3.54.	14. In the case of a multi-sectoral group (whether considered as a financial conglomerate or not), the group SCR calculation method	Disagree. CEIOPS proposal for the

			does not provide for the recognition of diversification at the group level between : 15. * the insurance / reinsurance sub-group (Solvency II capital requirement rules) 16. * the bank subgroup (Basel II capital requirement rules) 17. * the asset management sub-group (UCITS Directive capital requirement rules) 18. This sectoral point of view is not compatible with the economic vision advocated by the Framework Solvency II Directive.	treatment of the participations is fully consistent with the Level 1 text
324.	Institut des actuaires (France)	3.54.	14. In the case of a multi-sectoral group (whether considered as a financial conglomerate or not), the group SCR calculation method does not provide for the recognition of diversification at the group level between : 15. * the insurance / reinsurance sub-group (Solvency II capital requirement rules) 16. * the bank subgroup (Basel II capital requirement rules) 17. * the asset management sub-group (UCITS Directive capital requirement rules) 18. This sectoral point of view is not compatible with the economic vision advocated by the Framework Solvency II Directive.	Disagree. CEIOPS proposal for the treatment of the participations is fully consistent with the Level 1 text 23. It also has to be noted that in QIS4 the same approach was tested as default method by the European Commision
325.	KPMG ELLP	3.54.	We believe that further guidance on the application of diversification benefits across sectors should be considered, possibly as part of the financial conglomerates review. We believe, in principle, that diversification benefits can exist where a group covers more than one sector, as well as a risk of intra-group contagion. CEIOPS should ensure that the findings of the financial conglomerates review are appropriately reflected in the Solvency II measures.	Noted

326.	KPMG ELLP	3.55.	We agree that sectoral rules should apply to the relevant sectors within a group.	Noted
327.			Confidential comment deleted	
328.	CEA, ECO-SLV-09-454	3.56.	See comment on 3.75.	See resolution of that comment
329.	DIMA (Dublin International Insurance & Management	3.56.	It is not obvious how a notional capital requirement should be calculated for financial non-regulated undertakings. Further advice would be welcome here.	The concept of notional capital requirement for financial non-regulated undertaking is already defined in Annex 1 of Dir 2002/87/EC See revised text
330.	FFSA	3.56.	Could you explain what is a notional capital in case of financial non-regulated undertakings? This is unclear so far. FFSA understands that this concept will be defined in a future CP on participations, but considers it should be described in this CP.	See resolution of comment 329
331.	KPMG ELLP	3.56.	(a) It would be helpful to set out what CEIOPS means by "financial non-regulated undertakings". Our current understanding is that this is analogous to "financial institutions " under the BCD, but including similar organisations in third countries. It would be helpful if CEIOPS could confirm this or provide its own views. (b) Any groups who are affected by this definition will need to be able to determine the potential impact on capital and capital requirements at a group level may be. To this end, further clarity on how the notional capital requirement is calculated should be provided (i.e. will this depend on the dominant sector within the cross-sectoral group or will it default to CRD capital calculation requirements?)	See revised text See resolution of comment 329

332.	Munich RE	3.56.	It should be differentiated between consolidated non-regulated companies and non-consolidated non-regulated participations. For non-consolidated participations the mentioned "notional" capital requirement should be the same as at solo level. For consolidated non-regulated companies the idea of notional capital requirement has to be specified.	See resolution of comment 329
333.	ROAM	3.56.	**[EMPTY]**	
334.	Association of British Insurers	3.58.	We do not see how the existence of different sectoral rules would provide an argument against recognising any diversification effect.	Noted
335.	CEA, ECO-SLV-09-454	3.58.	Similarly to paragraph 3.54 we do not see how the existence of different sectoral rules would provide an argument against recognising any diversification effects.	Noted
336.			Confidential comment deleted	
337.	European Insurance CFO Forum	3.58.	Comments in 3.54 are also relevant here.	Noted
338.	Groupe Consultatif	3.58.	In the case of a multi-sectoral group (whether considered as a financial conglomerate or not), the group SCR calculation method does not provide for the recognition of diversification at the group level between : * the insurance / reinsurance sub-group (Solvency II capital requirement rules) * the pension funds sub-group (Solvency I capital requirement rules) This sectoral point of view is not compatible with the economic vision advocated by the Framework Solvency II Directive.	Disagree See resolution of comment 323

339.	Institut des actuaires (France)	3.58.	In the case of a multi-sectoral group (whether considered as a financial conglomerate or not), the group SCR calculation method does not provide for the recognition of diversification at the group level between : * the insurance / reinsurance sub-group (Solvency II capital requirement rules) * the pension funds sub-group (Solvency I capital requirement rules) This sectoral point of view is not compatible with the economic vision advocated by the Framework Solvency II Directive..	Disagree See resolution of comment 323
340.	KPMG ELLP	3.58.	We suggest that a final decision on diversification with IORPS should be deferred until the IORP requirements have been agreed.	Noted
341.	CEA, ECO-SLV-09-454	3.60.	**[EMPTY]**	
342.	KPMG ELLP	3.61.	We support this approach to insurance holding companies.	Noted
343.	Association of British Insurers	3.62.	Further guidelines on how to address material external market and default risk would be welcomed. Essentially, clarification is needed on the approach for SCR and MCR calculation when holding companies are involved, possibly to be in line with corresponding approaches for insurance companies (for applicable risks).	Noted
344.			Confidential comment deleted	
345.	CEA, ECO-SLV-09-454	3.62.	Further guidelines on how to address material external market and default risk would be welcomed. Essentially, clarification is needed on the approach for SCR and MCR calculation when holding companies are involved, possibly to	Noted CEIOPS considers that further work may be done at level 3

			be in line with corresponding approaches for insurance companies (for applicable risks).	
346.	German Insurance Association – Gesamtverband der D	3.62.	Further guidelines on how to address material external market and default risk would be welcomed. Essentially, clarification is needed on the approach for SCR and MCR calculation when holding companies are involved, possibly to be in line with corresponding approaches for insurance companies (for applicable risks).	See resolution of comment 345
347.	Royal Bank of Scotland Insurance	3.62.	This and the preceding paragraphs on Insurance holding companies – Whilst cooperation between supervisors is important, it was not clear on how the implementing measures would be applied to insurance holding companies where by the parent undertaking is governed by a different regime, such as Basel II Accord.	When the ultimante parent undertaking is a bank see the CRD and FCD
348.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.63.	As we told in 3.18, the treatment of the ancillary entity is still unclear to us but we presume that this will be the subject of future developments to ensure that those participations will be valued in a homogeneous way by the market.	Noted See revised text
349.	AMICE	3.63.	More guidance is needed on the applicable methodology to participations in the non-financial sector. CEIOPS writes that the same approach should be suitable at the group and at the solo level, but this does not help to understand the way to consolidate them. Consolidating participations which are not included in the consolidated financial statements may be very burdensome as compared to the simplicity of applying the equity risk approach.	Noted See revised text
350.	Association of British	3.63.	We would like more details on the methodology to follow for participation in the non-financial sector. CEIOPS states that it	Noted

	Insurers		should be the same at the group and at the solo level, but this do not help to understand how to consolidate them. Can CEIOPS give details on what is a solo SCR for a non-regulated non-financial entity? Also, as we understand, for participations with significant influence the term "consolidation" refers to an "at-equity" consolidation. We would ask for the paragraph to be redrafted to reflect this.	See revised text Agreed See revised text
351.	CEA, ECO-SLV-09-454	3.63.	Non-regulated non-financial entities are entities operating outside the financial sector. However, this paragraph refers to entities outside of the (re)insurance and banking sectors which could therefore be misleading. We do not understand how to consolidate participations in the non-financial sector. Ceiops states that it should be the same at the group and at the solo level, but this do not help to understand how to consolidate them. Also, as we understand, for participations with significant influence the term "consolidation" refers to an "equity method" consolidation. We would ask for the paragraph to be redrafted to reflect this.	Agreed See revised text Noted See revide text Agreed See revised text
352.	DIMA (Dublin International Insurance & Management	3.63.	It is not obvious how entities outside the banking and (re)insurance sectors should be treated on a solo basis.	Noted See revised text
353.	FFSA	3.63.	We would like more details on the methodology to follow for participation in the non-financial sector. CEIOPS states that it should be the same at the group and at the solo level, but this do not help to understand the way to consolidate them.	Noted See revised text

			FFSA understands that this will be defined with the CP relating to participations to be issued. However, it seems necessary to precise it from now on.	
354.	German Insurance Association – Gesamtverband der D	3.63.	Non-regulated non-financial entities are entities operating outside the financial sector. However, this paragraph refers to entities outside of the (re)insurance and banking sectors which could therefore be misleading. We would like more details on the methodology to follow for participation in the non-financial sector. CEIOPS states that it should be the same at the group and at the solo level, but this do not help to understand how to consolidate them. Can CEIOPS give details on what is a solo SCR for a non-regulated non-financial entity? Also, as we understand, for participations with significant influence the term "consolidation" refers to an "equity method" consolidation. We would ask for the paragraph to be redrafted to reflect this.	See resolution of comment 351
355.	KPMG ELLP	3.63.	Can CEIOPS clarify whether investment management companies fall within this paragraph or 3.51-56.	See revised par. 3.52
356.	Munich RE	3.63.	As we understand, for participations with significant influence the term "consolidation" refers to an "at-equity" consolidation.	Agreed See revised text
357.	ROAM	3.63.	Consolidation of participations in entities outside the banking and (re)insurance sectors not included in primary consolidated statements may be very burdensome as compared to simple equity risk approach.	Noted
358.			Confidential comment deleted	
359.			Confidential comment deleted	
360.	CEA,	3.64.	It would be appropriate for as extensive a list of ancillary services as possible be incorporated in the Level 2 text, with additional	Noted

	ECO-SLV-09-454		consideration at Level 3 if necessary/appropriate. It is difficult for us to comment on 3.64 before seeing the consultation paper on the treatment of participations. See also our comment to 3.63.	
361.	FFSA	3.64.	We would like more details on the methodology to follow for participation in the non-financial sector. CEIOPS states that it should be the same at the group and at the solo level, but this do not help to understand the way to consolidate them. Could you precise what is a SCR solo for a non-regulated non-financial entity (cf. 3.63)?	See resolution of comment 351
362.	German Insurance Association – Gesamtverband der D	3.64.	It would be appropriate for as extensive a list of ancillary services as possible be incorporated in the Level 2 text, with additional consideration at Level 3 if necessary/appropriate. It is difficult for us to comment on 3.64 before seeing the consultation paper on the treatment of participations. See also our comment to 3.63.	Noted CEIOPS considers that further work may be done at level 3
363.	KPMG ELLP	3.64.	We wonder if CEIOPS could use this as an opportunity to provide guidance as to what constitutes "any other similar activity" within the definition of ancillary entities.	Noted CEIOPS considers that further work may be done at level 3
364.	Association of British Insurers	3.65.	According to 3.63 participations outside the banking and (re)insurance sectors should be consolidated where either a dominant or significant influence exists. It is not clear therefore what approach to such entities which are not ancillary and where dominant influence does not exist is being recommended.	Noted See revised text
365.	CEA, ECO-SLV-09-454	3.65.	According to 3.63 participations outside the banking and (re)insurance sectors should be consolidated where either a dominant or significant influence exists. It is not clear what approach should be taken for entities which are not ancillary and	Noted See revised text

			where dominant influence does not exist. We would like Ceiops to explain this.	
366.	FFSA	3.65.	How do we treat ancillary entities which are not subject to dominant influence?	Ancillary entities that are subject to a significant influence should be consolidated through the equity method See revised text
367.	German Insurance Association – Gesamtverband der D	3.65.	According to 3.63 participations outside the banking and (re)insurance sectors should be consolidated where either a dominant or significant influence exists. It is not clear what approach should be taken for entities which are not ancillary and where dominant influence does not exist. We would like CEIOPS to explain this.	Noted See revised text
368.	Royal Bank of Scotland Insurance	3.65.	This and the preceding paragraphs do not provide enough detail on how non-regulated and non-financial entities should be treated. The concept of solo SCR for a non-regulated non-financial entity is introduced, but what should it be?	Noted See revised text The concept of solo SCR for a non-regulated non-financial entity was not introduced
369.	Association of British Insurers	3.66.	In general, we support the criteria listed in this paragraph.	Noted
370.	CEA, ECO-SLV-09-454	3.66.	In general, we support the criteria listed in this paragraph. However, with regards to the third bullet point, we would ask for more details on what Ceiops thinks constitutes appropriate treatment in Pillar II and Pillar III. With regards to the final bullet point, it is important to recognise that proportionality should never be a driver in terms of determining the method that should be used. We would ask for consistency with the FCD.	Noted CEIOPS considers that further work may be done at level 3

			We would like to remind that IFRS requires a consolidation based on economic principles (control and risk rewards principle).	
371.	European Insurance CFO Forum	3.66.	Differences in the consolidation bases used for supervisory and financial reporting will increase non-reconciliation issues and reduce transparency in relation to capital movements. In relation to the consolidation rules, the CFO Forum believes that any differences between IFRS and Solvency II need to be minimised. The CFO Forum recognises, however, that differences in measurement will exist, as there should not be a move away from the market value principle for Solvency II. In addition, the criteria here should be consistent with the final version of the Financial Conglomerates Directive.	Noted Agreed In general the scope of group for the purpose of assessing group solvency will be the same as the one of the of the consolidated account. Nevertheless, there might be cases where it might be necessary to adjust the scope (see also new par 3.19).
372.	FFSA	3.66.	Treatment of participation at group level: Can CEIOPS disclose on the following:" The treatment of participated undertakings should be accompanied by an appropriate treatment in Pillar II and Pillar III". What kind of treatments is expected by CEIOPS? FFSA considers this section should be more explicit. Here again, we have to remind that IFRS requires a consolidation based on economic principles (control and risk rewards principle).	Noted CEIOPS considers that further work may be done at level 3
373.	German Insurance Association – Gesamtverb and der D	3.66.	In general, we support the criteria listed in this paragraph. However, with regards to the third bullet point, we would ask for more details on what CEIOPS thinks constitutes appropriate treatment in Pillar II and Pillar III. With regards to the final bullet point, it is important to recognise that proportionality should never be a driver in terms of determining the method that should be	Noted CEIOPS considers that further work may be done at level 3

			used. We would ask for consistency with the FCD. We would like to remind that IFRS requires a consolidation based on economic principles (control and risk rewards principle).	
374.	Groupe Consultatif	3.66.	We welcome that the relationship of control is the key trigger of how participations should be treated and that CEIOPS' view is to focus on economic principles rather than just on a legal or accounting basis.	Noted
375.	Investment & Life Assuarnce Group (ILAG)	3.66.	On a practical level, concern as to how the economic principles will be applied – consistency between different member states?	Level 2 and Level 3 measures have the objective, inter alia, to ensure consistency between different member states
376.	Legal & General Group	3.66.	We believe that further clarification on the two potential methods would be helpful in assessing the impact of changing approach. We do not believe that the accounting consolidation method should be the only approach available at this stage of the consultation process.	The accounting consolidation-based method is the default method. The alternative method, that is the D&A, should be used only when the application of the default method is not appropriate (for more details on D&A see revised par. 3120 to 3128)
377.	Milliman	3.66.	Second bullet point: The consolidation approach used for accounting purposes by definition ignores intra-group transactions (IGTs). It is obvious that intra-group transactions (IGTs)impact the economic balance sheets of group entities if looked at as solo entity. And if intra-group transactions (IGTs) are influencing the assets and liabilities of a solo entity's balance sheet, it is as well possible that strong tail interdependencies occur, but these are completely neglected by a consolidation approach. We strongly recommend quantifying such impacts.	Noted The treatment of Intra Group Transactions is dealt with in the CEIOPS Consultation Paper No. 61 on "Supervision of Risk Concentration and Intra-Group Transactions"

378.	UNESPA - Spanish Union of Insurance and Rein	3.66.	See comments on 3.158.	See resolution of that comment
379.			Confidential comment deleted	
380.	DIMA (Dublin International Insurance & Management	3.67.	Does this capture the situation where, for example, a UK regulated subsidiary is owned by a third country entity and an Irish regulated subsidiary is owned by the same third country entity? According to paragraph 3.83, it would appear to do so.	The example is unclear. Par. 3.67 refers to the use of the D&A method when the use of the default method is not appropriate. Par. 3.83 refers to the deduction of the book value of a related undertaking when the information necessary for calculating the group solvency of its participating undertaking is not available (Art. 227)
381.	European Insurance CFO Forum	3.67.	Comments in 3.66 are also relevant here.	See resolution of those comments
382.	Association of British Insurers	3.68.	We welcome the introduction of proportionality when setting the method of summation.	Noted
383.	CEA, ECO-SLV-09-454	3.68.	Ceiops should include guidance in the Level 2 advice – as required for all implementing measures – on how to apply the proportionality principle in choosing the method.	Noted
384.	European	3.68.	Comments in 3.66 are also relevant here.	See resolution of those comments

	Insurance CFO Forum			
385.	German Insurance Association – Gesamtverband der D	3.68.	CEIOPS should include guidance in the Level 2 advice – as required for all implementing measures – on how to apply the proportionality principle in choosing the method.	Noted
386.	Groupe Consultatif	3.68.	We share the view that all three approaches Full integration (including minority interests) Proportional integration Equity value should be considered depending on the extent of control. Although the 20% and 50% thresholds do not seem unreasonable we feel that qualitative criteria can better cope with the large variety of possible ownership structures. As a general remark, the framework should avoid cherry picking of the most advantageous method, i.e. there might be circumstances where the full integraton method yields a higher group solvency coverage ratio than the equity value approach and vice versa. We recognize that CEIOPS may need to establish some review processes to ensure a harmonized approach to the application of the criteria.	Noted
387.	Investment & Life Assuarnce Group (ILAG)	3.68.	Unclear who would determine choice of method – supervisor or group?	The group supervisor after consultation with the other supervisory authorities and the group itself

388.	Legal & General Group	3.68.	We agree that proportionality should be taken into account when setting the method of summation.	Noted
389.			Confidential comment deleted	
390.	CEA, ECO-SLV-09-454	3.69.	Paragraphs 3.70, 3.71 and 3.72 should be bullet points under 3.69 (not separate articles). In IAS 28 some deviations to classify a shareholding as 'associate" are allowed. In our opinion Ceiops should also allow for these deviations and classify these participations as an investment with the subsequent proper treatment.	Noted
391.	European Insurance CFO Forum	3.69.	Comments in 3.66 are also relevant here.	See resolution of that comment
392.	German Insurance Association – Gesamtverband der D	3.69.	Paragraphs 3.70, 3.71 and 3.72 should be bullet points under 3.69 (not separate articles). In IAS 28 some deviations to classify a shareholding as 'associate" are allowed. In our opinion CEIOPS should also allow for these deviations and classify these participations as an investment with the subsequent proper treatment.	Noted
393.	Groupe Consultatif	3.69.	See our remarks at 3.68	See resolution of that comment
394.	UNESPA - Spanish Union of Insurance and Rein	3.69.	This reference should contain the paragraphs 3.70, 3.71 and 3.72 as bullets, instead of being in separated references.	Noted
395.	Association of British	3.70.	The scope of consolidation should be broadly in line with IFRS consolidation standards.	Noted

	Insurers			
396.			Confidential comment deleted	
397.	CEA, ECO-SLV-09-454	3.70.	See comments to 3.48. The scope of consolidation should be in line with IFRS consolidation standards.	Noted
398.	European Insurance CFO Forum	3.70.	Comments in 3.66 are also relevant here.	See resolution of those comments
399.			Confidential comment deleted	
400.	German Insurance Association – Gesamtverband der D	3.70.	See comments to 3.48.The scope of consolidation should be in line with IFRS consolidation standards.	Noted
401.	Groupe Consultatif	3.70.	See our remarks at 3.68	Noted
402.	Investment & Life Assuarnce Group (ILAG)	3.70.	This treatment would differ from the current IGD in that minority shares would now be included in the group solvency calculation.	On the treatment of minority interests see for further clarification revised par. 3.181 to 3.187
403.	Munich RE	3.70.	The scope of consolidation should be in line with IFRS consolidation standards.	Noted
404.	Pearl Group Line	3.70.	The scope of consolidation should be broadly in line with IFRS consolidation standards.	Noted
405.	UNESPA - Spanish	3.70.	See comments on 3.193.	See resolution of those comments

	Union of Insurance and Rein			
406.	CEA, ECO-SLV-09-454	3.71.	There could be diversification benefits from participations. When a participation is regarded as significant influence, the formula used to determine the contribution to the group SCR does not allow for any diversification effect. We consider that there could be potential diversification effect. The proxy proposed in 3.71 is easy enough to implement however it implies that the SCR can be seen as a percentage of premiums which does not really look like a step forward from Solvency I regulation. Moreover we wonder if it relates to written or earned premiums. Moreover, the method presented leaves open what to do when the solo SCR of the respective participation is not available. The QIS4 Technical specifications prescribe in this case "the previous SCR should be used, adjusted for the annual movement in premiums (QIS4 TS.XVI.B.&). When considering iterated participations in a group, this method could then lead to the usage of SCRs that are several years old. As CP60 does not refer to the QIS4-method, the consequence of missing SRs from participations is left open. We would ask Ceiops to specify whether in case of missing participations' SCRs, Article 227 becomes effective such that these participations could alternatively be considered as "standard" equity investments as tested in QIS4 in Option 2 – "across the board" approach (f. QIS4 TS.XVII.C.7-8).	Disagree Partially agreed CEIOPS deems that the previous SCR should be adjusted for the annual development of premiums for non-life business and of technical provisions for life business (see revised text). The reference is to gross earned premium of the previous year (see also QIS4 Groups Spreadsheet instructions) The last comment is unclear In QIS4 (see TS.XVI.A.8) for the purpose of the calculation of equity risk the default approach as described in TS.IX.C.9-19 was tested. For non-insurance and for non-financial participation only the Option 1 of Annex SCR 1 (TS.XVII.C.3-6) was tested

407.	CRO Forum	3.71.	The CRO Forum agrees with the fact that in case of significant influence (20% < 50%), own funds and SCR should be treated proportionally at the group level; that is, the proportion of control being applied to both SCR and Own funds of the related undertaking. And so, the contribution to the Group SCR does not recognize diversification benefit.	Noted
408.	European Insurance CFO Forum	3.71.	Comments in 3.49 and 3.66 are also relevant here.	See resolution of those comments
409.	FFSA	3.71.	Treatment of participations in the calculation of the group SCR – significant influence When a participation is regarded as significant influence, the formula used to determine the contribution to the group SCR does not allow for any diversification effect. FFSA considers that there could be potential diversification on it. The proxy proposed in 3.71 is easy enough to implement however it implies that SCR can be seen as a percentage of premiums which does not really look like a step forward from S1 regulation… Moreover we wonder if it relates to written or earned premiums.	See resolution of comment 406
410.	German Insurance Association – Gesamtverband der D	3.71.	There could be diversification benefits from participations. When a participation is regarded as significant influence, the formula used to determine the contribution to the group SCR does not allow for any diversification effect. We consider that there could be potential diversification effect. The proxy proposed in 3.71 is easy enough to implement however it implies that the SCR can be seen as a percentage of premiums which does not really look like a step forward from Solvency I regulation. Moreover we wonder if it relates to written or earned premiums.	See resolution of comment 406

			Moreover, the method presented leaves open what to do when the solo SCR of the respective participation is not available. The QIS4 Technical specifications prescribe in this case "the previous SCR should be used, adjusted for the annual movement in premiums (QIS4 TS.XVI.B.&). When considering iterated participations in a group, this method could then lead to the usage of SCRs that are several years old. As CP60 does not refer to the QIS4-method, the consequence of missing SRs from participations is left open. We would ask CEIOPS to specify whether in case of missing participations' SCRs, Article 227 becomes effective such that these participations could alternatively be considered as "standard" equity investments as tested in QIS4 in Option 2 – "across the board" approach (f. QIS4 TS.XVII.C.7-8).	
411.	Groupe Consultatif	3.71.	The text refers to using the sum of the respective shares in each SCR. The principle of diversification should not be rejected. Change 'sum' to 'aggregation'. See also our remarks at 3.68	Disagree
412.	KPMG ELLP	3.71.	See 3.49	See resolution of that comment
413.	Munich RE	3.71.	The method presented leaves open what to do when the solo SCR of the respective participation is not available. The QIS4 Technical Specifications prescribe that in this case "the previous SCR should be used, adjusted for the annual movement in premiums" (QIS4 TS.XVI.B.7). When considering iterated participations in a group, this method could then lead to the usage of SCRs that are several years old. As CP60 does not refer to the QIS4-method, the consequence of missing SCRs from participations is left open. Please specify whether in case of missing participation's SCRs Article 227 becomes effective such that this participation is excluded from the calculation of the group SCR and the group Own Funds or whether these participations could alternatively be considered as a "standard" equity investment as tested in QIS4 in	See resolution of comment 406

			Option 2 – "across the board" approach (cf. QIS4 TS.XVII.C.7-8).	
414.			Confidential comment deleted	
415.	CEA, ECO-SLV-09-454	3.72.	It is unclear what is defined as a "relevant" risk charge. Our interpretation of this paragraph is where there is no significant or dominant influence the group SCR will only take into account the material risks.	When the group's interest in a (re) insurer is non significant the contribution to the group SCR should be calculated applying the equity and concentration risk charge to the value of the participation as at solo level. To avoid any confusion with the treatment of participations at group level the paragraph has been deleted
416.	European Insurance CFO Forum	3.72.	Undertakings in which there is no significant influence should not be included within the supervision scope. Where the group's participation is not regarded as a dominant influence or where risks and rewards are not passed to group, undertakings should not be included within the supervision scope. Comments in 3.66 are also relevant here.	Agreed Agreed The paragraph has been deleted
417.	FFSA	3.72.	To comply with consolidation rules, we suggest that the paragraph be reworded so as (a) adding to "when there is no significant or dominant influence" the following wordings "but when the entity is consolidated due to the Risks & Rewards principle" and (b) referring to paragraphs 3.70 & 3.71 for describing how to account for SCRs and own funds. Our view is that undertakings not controlled or in which there is no significant influence or the risks & rewards are not passed to the Group should not be included in the supervision scope.	Noted The paragraph has been delet

418.	German Insurance Association – Gesamtverband der D	3.72.	It is also unclear what "relevant" risks charges are. It is also unclear what is defined as a "relevant" risk charge. Our interpretation of this paragraph is where there is no significant or dominant influence the group SCR will only take into account the material risks.	See resolution of comment 415
419.	Groupe Consultatif	3.72.	See our remarks at 3.68	See resolution of that comment
420.	UNESPA - Spanish Union of Insurance and Rein	3.72.	It is important to identify when there is no Significant or Dominant influence and clarify the concept of "relevant" risk charge. Treatment proposes by CEIOPS in relation with the participations that are not under dominant or significant influence; are not included in the group SCR, because it is only taking into account the relevant risk charge at solo level. So, once again, the considerations established to limit the participations with dominant or significant influence, against others, are a key concern, and require further analysis to confirm whether undertakings agree with the proposed methods (see 3.38).	When the group's interest in a (re) insurer is non significant the contribution to the group SCR should be calculated applying the equity and concentration risk charge to the value of the participation as at solo level. To avoid any confusion with the treatment of participations at group level the paragraph has been deleted
421.	Association of British Insurers	3.73.	See comments under 3.53	See resolution of those comments
422.	CEA, ECO-SLV-09-454	3.73.	The wording seems to imply that a group can be turned into a financial conglomerate under Solvency II. This paragraph expands on 3.53: "Ceiops interpretation of Article 226 is that, where the group supervisor gives permission to apply the FCD calculations, the group is in effect treated as if it were a financial conglomerate for group solvency purposes". Ceiops should	Agreed See revised text

			clarify that groups will not be treated as financial conglomerates but that what is meant is that they can apply the calculation methods in the FCD.	
423.	European Insurance CFO Forum	3.73.	Comments in 3.66 are also relevant here.	See resolution of those comments
424.	German Insurance Association – Gesamtverband der D	3.73.	We would ask CEIOPS to clarify the wording in the paragraph, which now seems to imply that a group can be turned into a financial conglomerate under Solvency II. This paragraph expands on 3.53: "CEIOPS interpretation of Article 226 is that, where the group supervisor gives permission to apply the FCD calculations, the group is in effect treated as if it were a financial conglomerate for group solvency purposes". CEIOPS should clarify that groups will not be treated as financial conglomerates but that what is meant is that they can apply the calculation methods in the FCD.	Agreed See revised text
425.	Munich RE	3.73.	A group that does not qualify as a financial conglomerate under the FCD, must not be turned into a financial conglomerate under solvency II.	See resolution of comment 422
426.	AAS BALTA	3.74.	No diversification benefit recognised for credit institutions, investment firms and financial institutions. Included in group solvency calculation using sectoral rules – no details in paper on how this will in practice be achieved.	Noted See revised version of 3.3.1 for further clarification
427.	AB Lietuvos draudimas	3.74.	No diversification benefit recognised for credit institutions, investment firms and financial institutions. Included in group solvency calculation using sectoral rules – no details in paper on how this will in practice be achieved.	Noted See revised version of 3.3.1 for further clarification

428.	ACA – ASSOCIATIO N DES COMPAGNIE S D'ASSURAN CES DU	3.74.	This way to integrate related credit institution, investment and financial institutions could insufficiently take into account the concentration risk specific to this kind of groups.	See revised version of 3.3.1 for further clarification
429.	Association of British Insurers	3.74.	15. Diversification benefits between insurers and other financial sectors should be recognised. 16. We do not see why different solvency requirements would provide an argument for not considering diversification. Diversification does not relate to rules, rather to economic principles. Obviously the approach to determine diversification should take account of the different methodologies underlying the specific solvency requirements. In this regard we specifically refer to paragraph 3.66 where there is a clear reference to economic principles. In addition, the absence of recognition of diversification between sectors would strike an uneven basis between unit linked firms that are insurers and ones that are not. This would particularly be an issue where the non-insurer sector applies similar capital rules. 17. However when consolidating regulated entities any intra-group transactions / positions should be eliminated including any capital charges attached to these transactions.	Disagree Noted Agreed
430.			Confidential comment deleted	
431.	CEA, ECO-SLV-09-454	3.74.	Diversification benefits between insurers and other financial sectors should be recognised if undertakings are able to evidence them. We do not see why different solvency requirements would provide an argument for not considering diversification. Diversification does not relate to rules, rather to economic principles. Obviously the	Disagree Noted

			approach to determine the diversification should take account of the different methodologies underlying the specific solvency requirements. In this regard we specifically refer to paragraph 3.66 where there is a clear reference to economic principles. However when consolidating regulated entities any intra-group transactions / positions should be eliminated including any capital charges attached to these transactions. Analogously to QIS4 TS.IX.C6, a look-through approach and thus the accounting consolidation method should be applied where appropriate.	Agreed in principle, but CEIOPS CEIOPS considers that further work may be done at level 3 in order to avoid supervisory arbitrage and uninted consequences from a prudential point of view As stated in par. 3.48 where a participation in a (re)insurer is regarded as a dominant influence a full integration (that is a look-through approach) should be applied. The same treatment was tested in QIS4 (see TS.XVI.B.6)
432.			Confidential comment deleted	
433.	DENMARK: Codan Forsikring A/S (10529638)	3.74.	No diversification benefit recognised for credit institutions, investment firms and financial institutions. Included in group solvency calculation using sectoral rules – no details in paper on how this will in practice be achieved.	See revised version of 3.3.1 for further clarification

434.	DIMA (Dublin International Insurance & Management	3.74.	There may be genuine diversification benefits to be obtained from participating in different sectors and industries. Some credit should be given to well-diversified groups to reflect this. At the very least, a well-diversified group should not be required to model group specific risks while taking no account of the related diversification benefits.	Noted
435.	European Insurance CFO Forum	3.74.	A notional charge is not required on consolidated unit trust assets as allowance is already made in the market risk assessment of the SCR. In some cases, unit trusts, which have no capital requirements, are consolidated by insurance groups. If the group's share in the unit trusts' net asset values is considered to be part of the group's own funds then no notional charge should be required as consolidated assets are included in the market risk assessment of the SCR. Any notional charge would effectively be double counting. Comments in 3.54 and 3.66 are also relevant here.	Noted
436.	FFSA	3.74.	Treatment of participations in the calculation of the group SCR – Financial institutions We consider that there could be diversification effect in consolidating credit / financial institutions, and that the CP could give some flexibility on this subject open in case the undertaking is able to evidence it. Some unit-trusts are being consolidated by Insurance groups: they do not have capital requirements. Could it be understood that the groups' share in their net asset values is part of the groups' own funds? In this case, we do believe that no notional capital charge should be required as consolidated assets will be included in the assessment of the SCR relating to the market risk. A notional capital charge would act as a double counting.	Disagree Noted

437.			Confidential comment deleted	
438.	German Insurance Association – Gesamtverb and der D	3.74.	Diversification benefits between insurers and other financial sectors should be recognised if undertakings are able to evidence them. We do not see why different solvency requirements would provide an argument for not considering diversification. Diversification does not relate to rules, rather to economic principles. Obviously the approach to determine the diversification should take account of the different methodologies underlying the specific solvency requirements. In this regard we specifically refer to paragraph 3.66 where there is a clear reference to economic principles. However when consolidating regulated entities any intra-group transactions / positions should be eliminated including any capital charges attached to these transactions. Analogously to QIS4 TS.IX.C6, a look-through approach and thus the accounting consolidation method should be applied where appropriate.	See resolution of comment 431
439.	Groupe Consultatif	3.74.	There is no reason why an internal model should not allow for diversification with other financial sector entities. Diversification is a basic tool for risk management in insurance.	Noted
440.	KPMG ELLP	3.74.	See 3.54 – we believe diversification benefits, subject to allowance for intra-group contagion risks, should be allowed.	Noted
441.	Legal & General Group	3.74.	No diversification between sectors appears to be inappropriate, for example between unit linked firms that are insurers and ones that are not. This is particularly an issue where the non-insurer sector applies similar capital rules.	Noted
442.	Link4 Towarzystw o Ubezpieczeń	3.74.	No diversification benefit recognised for credit institutions, investment firms and financial institutions. Included in group solvency calculation using sectoral rules – no details in paper on how this will in practice be achieved.	Noted The approach is the same already tested in QIS4 for the default

	SA			method See for further clarification the revised par 3.3.1
443.	Munich RE	3.74.	Analogously to QIS4 TS.IX.C16, a look-through approach and thus the accounting consolidation method should be applied where appropriate.	As stated in par. 3.48 where a participation in a (re)insurer is regarded as a dominant influence a full integration (that is a look-through approach) should be applied. The same treatment was tested in QIS4 (see TS.XVI.B.6)
444.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.74.	No diversification benefit recognised for credit institutions, investment firms and financial institutions. Included in group solvency calculation using sectoral rules – no details in paper on how this will in practice be achieved.	See resolution of comment 442
445.	Royal Bank of Scotland Insurance	3.74.	We strongly disagree with this conclusion – diversification benefits should be allowed between insurers and other financial institutions.	Noted
446.	RSA Insurance Group PLC	3.74.	No diversification benefit recognised for credit institutions, investment firms and financial institutions. Included in group solvency calculation using sectoral rules – no details in paper on how this will in practice be achieved.	See resolution of comment 442
447.	RSA Insurance Ireland Ltd	3.74.	No diversification benefit recognised for credit institutions, investment firms and financial institutions. Included in group solvency calculation using sectoral rules – no details in paper on how this will in practice be achieved.	See resolution of comment 442
448.	RSA - Sun	3.74.	No diversification benefit recognised for credit institutions,	See resolution of comment 442

	Insurance Office Ltd.		investment firms and financial institutions. Included in group solvency calculation using sectoral rules – no details in paper on how this will in practice be achieved.	
449.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.74.	No diversification benefit recognised for credit institutions, investment firms and financial institutions. Included in group solvency calculation using sectoral rules – no details in paper on how this will in practice be achieved.	See resolution of comment 442
450.	ACA – ASSOCIATIO N DES COMPAGNIE S D'ASSURAN CES DU	3.75.	It should be specified how this notional capital requirement should be determined otherwise this can lead to significant differences in the treatment of undertakings with the risk to loose one of the objective of Solvency II (having a benchmark for the insurance market).	The concept of notional capital requirement for financial non-regulated undertaking is already defined in Annex 1 of Dir 2002/87/EC See revised text
451.	Association of British Insurers	3.75.	If the proposed approach is to apply EU sectoral rules, using deduction and aggregation for these entities, then we believe further information is needed to derive a notional capital requirement for financial non-regulated entities, whether (and how) they are consolidated.	The concept of notional capital requirement for financial non-regulated undertaking is already defined in Annex 1 of Dir 2002/87/EC See revised text
452.			Confidential comment deleted	
453.	CEA, ECO-SLV-09-454	3.75.	We do not understand the reasons for asking for a notional capital requirement to be calculated for financial non-regulated undertakings.	The concept of notional capital requirement for financial non-regulated undertaking is already defined in Annex 1 of Dir 2002/87/EC See revised text
454.	CRO Forum	3.75.	We understand the introduction of a notional capital requirement in	The concept of notional capital

			case of financial non-regulated undertakings. However, it is unclear how the notional capital requirement is expected to be calculated. We would welcome further clarification on the scope (non-regulated) and the calculation methods.	requirement for financial non-regulated undertaking is already defined in Annex 1 of Dir 2002/87/EC See revised text
455.	European Insurance CFO Forum	3.75.	Comments in 3.66 and 3.74 are also relevant here.	See resolution of those comments
456.	FFSA	3.75.	Treatment of participations in the calculation of the group SCR – Non-regulated undertakings Could CEIOPS detail on which basis the notional capital requirement shall be calculated?	See resolution of comment 453
457.			Confidential comment deleted	
458.	German Insurance Association – Gesamtverband der D	3.75.	Further guidance is necessary as to how a 'notional capital requirement' would be calculated. We would ask CEIOPS for further details on what is a notional capital requirement for financial non-regulated entities and how whether or not they are consolidated will be taken into account. Notional capital requirements for non-regulated entities should only be taken into account if the equity capital of these non-regulated entities is negative.	See resolution of comment 453
459.	KPMG ELLP	3.75.	See 3.56	See resolution of that comment
460.	Munich RE	3.75.	It should be differentiated between consolidated non-regulated companies and non-consolidated non-regulated participations. For non-consolidated participations the mentioned "notional" capital requirement should be the same as at solo level. For consolidated non-regulated companies the idea of notional capital requirement has to be specified.	See resolution of comment 453

461.	ROAM	3.75.	**[EMPTY]**	
462.	Royal Bank of Scotland Insurance	3.75.	Further will be required here regarding how a notional capital requirement is to be calculated.	See resolution of comment 453
463.	Association of British Insurers	3.76.	We consider that there could be diversification effect in consolidating IORP, and that the CP could give some flexibility on this subject. Provided the undertaking is able to evidence it, diversification between insurers and IORPs should be allowed for.	Disagree
464.	CEA, ECO-SLV-09-454	3.76.	There could be diversification benefits between insurers and IORPs. We consider that there could be diversification effect in consolidating IORP, and that the CP could give some flexibility on this subject provided the undertaking is able to evidence it, diversification between insurers and IORPs should be allowed.	Disagree
465.			Confidential comment deleted	
466.	European Insurance CFO Forum	3.76.	Comments in 3.54 and 3.66 are also relevant here.	See resolution of those comments
467.	FFSA	3.76.	Treatment of participations in the calculation of the group SCR – IORP We consider that there could be diversification effect in consolidating IORP, and that the CP could give some flexibility on this subject open in case the undertaking is able to evidence it.	Disagree
468.	German Insurance Association – Gesamtverband der D	3.76.	There could be diversification benefits between insurers and IORPs. We consider that there could be diversification effect in consolidating IORP, and that the CP could give some flexibility on this subject provided the undertaking is able to evidence it, diversification between insurers and IORPs should be allowed.	Disagree

469.	Groupe Consultatif	3.76.	CEIOPS should not resist diversification effects with IORPS where there is an internal model that adequately captures the risks and dependencies	Noted
470.	KPMG ELLP	3.76.	See 3.58	See resolution of that comment
471.	Munich RE	3.76.	In our view it would be correct to consider Pensionskassen/ Pensionsfonds within the scope of the consolidated group accounts.	Noted
472.	Association of British Insurers	3.77.	See comments under 3.62 Where the ultimate parent of an insurance holding company is a bank (and so is subject to the FCD), it is not clear how this paragraph should be interpreted. Further clarification is required to understand the differences in the treatment (assumption is that the group supervision will only be up to the level of the insurance holding company).	When the ultimante parent undertaking is a bank see the CRD and FCD
473.			Confidential comment deleted	
474.	CEA, ECO-SLV-09-454	3.77.	See comments to 3.62.	See resolution of those comments
475.	European Insurance CFO Forum	3.77.	The application of the principle when the ultimate parent company is a bank is not clear. Application of the principle when the ultimate parent company of the insurance holding is a bank is not clear. Further clarification is required to understand the proposed differences in treatment. Comments in 3.66 are also relevant here.	When the ultimante parent undertaking is a bank see the CRD and FCD
476.	FFSA	3.77.	The application of the set principle is not clear in the case when the ultimate parent company of the insurance holding is a bank. This should be described more explicitly.	When the ultimante parent undertaking is a bank see the CRD and FCD

477.	German Insurance Association – Gesamtverband der D	3.77.	See comments to 3.62.	See resolution of those comments
478.	CEA, ECO-SLV-09-454	3.78.	Unlike the explanatory text earlier in the consultation paper (3.60), this advice includes mixed activity insurance holding companies. This is not in line with the Level 1 text. We would ask Ceiops to delete "mixed activity insurance holding companies" from the advice.	Agreed See revised text
479.	CRO Forum	3.78.	Comments on §3.78 through §3.81 We disagree with the systematic non-recognition of diversification benefit for: (i) participations outside the baking and (re)insurance sectors (both dominant and significant influence); (ii) controlled ancillary entities; (iii) entities outside the financial sector; as the undertaking may be able to evidence it. In particular this may be the case if an undertaking is using an internal model in which these entities are covered.	Noted
480.	European Insurance CFO Forum	3.78.	Comments in 3.66 are also relevant here.	See resolution of those comments
481.	German Insurance Association – Gesamtverband der D	3.78.	Unlike the explanatory text earlier in the consultation paper (3.60), this advice includes mixed activity insurance holding companies. This is not in line with the Level 1 text. We would ask CEIOPS to delete "mixed activity insurance holding companies" from the advice.	Agreed See revised text

482.	Association of British Insurers	3.79.	Further details on the methodology for participation in non-financial sectors would be appreciated.	Noted See revised text
483.			Confidential comment deleted	
484.			Confidential comment deleted	
485.	CEA, ECO-SLV-09-454	3.79.	We do not understand how to consolidate participations in non-financial sectors. Ceiops states that it should be the same at the group and at the solo level, but this do not help to understand the way to consolidate them: What is meant by "they shall be included in the solo SCR": does it mean that sub-consolidation is required for solvency purposes whenever an insurance subsidiary has a controlling interest in another undertaking? This would be a huge additional workload with no benefit as the group SCR will already reflect the effect of consolidating both the subsidiary intermediate holding and its participations? Are there other situations that are sought for by this 'solo' requirement? See comments to 3.63.	They are consolidated through the equity method The comment is unclear. In par 3.63 is stated "they shuld be included in the group SCR as at solo level". This means that their treatment in the group SCR should be consistent with the treatment in the solo SCR The comment is unclear: the concept of solo SCR for a non-regulated non-financial entity was not introduced See for further clarification the revised text
486.	DIMA (Dublin International Insurance & Management	3.79.	It is not obvious how entities outside the banking and (re)insurance sectors should be treated on a solo basis.	See resolution of comment 485

487.	European Insurance CFO Forum	3.79.	The additional workload required for sub-consolidation is not justified. The paragraph suggests that a sub-consolidation is required for solvency purposes whenever an insurance subsidiary has a controlling interest in another undertaking. This would require significant additional work with no real benefit as the group SCR would already reflect the effect of consolidating both the subsidiary's intermediate holding and its participations. The CFO Forum recommends that sub-consolidation is not required. Comments in 3.54 and 3.66 are also relevant here.	See resolution of comment 485
488.	FFSA	3.79.	We would like more details on the methodology to follow for participation in the non-financial sector. CEIOPS states that it should be the same at the group and at the solo level, but this do not help to understand the way to consolidate them: What is meant by "they shall be included in the solo SCR": does it mean that sub-consolidation is required for solvency purposes whenever an insurance subsidiary has a controlling interest in another undertaking? This would be a huge additional workload with no benefit as the Group SCR will already reflect the effect of consolidating both the subsidiary intermediate holding and its participations? Is there other situations that are sought for by this 'solo' requirement?	See resolution of comment 485
489.			Confidential comment deleted	
490.	German Insurance Association – Gesamtverb and der D	3.79.	We would like more details on the methodology for participations in non-financial sectors. CEIOPS states that it should be the same at the group and at the solo level, but this do not help to understand the way to consolidate them:	See resolution of comment 485

			What is meant by "they shall be included in the solo SCR": does it mean that sub-consolidation is required for solvency purposes whenever an insurance subsidiary has a controlling interest in another undertaking? This would be a huge additional workload with no benefit as the group SCR will already reflect the effect of consolidating both the subsidiary intermediate holding and its participations? Are there other situations that are sought for by this 'solo' requirement? See comments to 3.63.	
491.	Royal Bank of Scotland Insurance	3.79.	See 3.65 above.	See resolution of that comment
492.	UNESPA - Spanish Union of Insurance and Rein	3.79.	As a general principle, CEIOPS states that the dominant and significant participations in non-financial entities should be consolidated but be included in the group SCR at solo level. However, we partially disagree with this statement, as long as we consider that in the events where the consolidation is not possible, a "reduced" equity stress should be applied on the net asset value.	See resolution of comment 485
493.	AAS BALTA	3.80.	We approve recommended treatment in solvency calculation of ancillary entities.	Noted
494.	AB Lietuvos draudimas	3.80.	We approve recommended treatment in solvency calculation of ancillary entities.	Noted
495.	CEA, ECO-SLV-09-454	3.80.	See comments to 3.64 and 3.79.	See resolution of those comments
496.	DENMARK: Codan	3.80.	We approve recommended treatment in solvency calculation of ancillary entities.	Noted

	Forsikring A/S (10529638)			
497.	European Insurance CFO Forum	3.80.	Comments in 3.66 are also relevant here.	See resolution of those comments
498.	European Union member firms of Deloitte Touche Toh	3.80.	Ancillary entities Paragraphs 3.63 -3.65 Annexe 5 – Advice paragraph 3.80 The directive does not explicitly refer to ancillary insurance services undertakings. Paragraphs 3.63-3.65 and the advice at paragraph 3.80 indicates that ancillary services undertakings should be consolidated where there is dominant influence and implies (confirmed by Annex 5) that ancillary services undertakings should be aggregated using D&A where there is significant influence. This is a significant change from the IGD where ancillary undertakings are included within the scope of group supervision but valued at nil. We welcome this approach for ancillary services undertakings as an improvement over the Insurance Groups Directive but suggest that the CEIOPS advice makes it clear that Level 3 guidance will be issued on this basis.	Noted
499.	FFSA	3.80.	We would like more details on the methodology to follow for participation in the non-financial sector. CEIOPS states that it should be the same at the group and at the solo level, but this do not help to understand the way to consolidate them. FFSA understands that this will be defined with the CP relating to participations to be issued. However, it seems necessary to precise it from now on.	See resolution of comment 485
500.	German Insurance Association	3.80.	See comments to 3.64 and 3.79.	See resolution of those comments

	– Gesamtverband der D			
501.	Link4 Towarzystwo Ubezpieczeń SA	3.80.	We approve recommended treatment in solvency calculation of ancillary entities.	Noted
502.	Munich RE	3.80.	It is not clear what is meant by the last sentence. It could be understood that – analogously to 3.72 and 3.79 – controlled ancillary entities should be included in the group SCR as at solo level. In this case we suggest to delete the last sentence as at least under QIS4 participations were treated as standard equity investment in the standard approach which would not be in line with the accounting consolidated approach. It could also be understood that the solo SCR of these entities should be used which would imply to use the deductions and aggregation method for controlled ancillary entities which would again not be in line with the level 1 text which sets out the accounting consolidation method as the standard approach. As controlled NON-ancillary entities have also to be fully integrated, we therefore suggest to delete this paragraph. This comment also applies to 3.81.	See resolution of comment 485
503.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.80.	We approve recommended treatment in solvency calculation of ancillary entities.	Noted
504.	RSA Insurance Group PLC	3.80.	We approve recommended treatment in solvency calculation of ancillary entities.	Noted

505.	RSA Insurance Ireland Ltd	3.80.	We approve recommended treatment in solvency calculation of ancillary entities.	Noted
506.	RSA - Sun Insurance Office Ltd.	3.80.	We approve recommended treatment in solvency calculation of ancillary entities.	Noted
507.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.80.	We approve recommended treatment in solvency calculation of ancillary entities.	Noted
508.			Confidential comment deleted	
509.	CEA, ECO-SLV-09-454	3.81.	See comment on 3.75.	See resolution of that comment
510.	European Insurance CFO Forum	3.81.	Comments in 3.66 and 3.79 are also relevant here.	See resolution of those comments
511.	German Insurance Association – Gesamtverb and der D	3.81.	See comment on 3.75.	See resolution of that comment
512.	AMICE	3.82.	Undertakings not subject to international accounting standards but using local GAAP, find such treatment not practical as such groups are not familiar with IFRS and this statement would imply the mandatory introduction of IFRS rules which, according to EU legislation, are only mandatory for listed groups.	Noted

			AMICE suggests CEIOPS provide a transposition of the relevant rules. A survey of the top 100 insurance groups in Europe reveals that the majority files IFRS accounts (up to 84% of them). However such acceptance diminishes within the smaller groups. (see also comments to Annex 5)	
513.			Confidential comment deleted	
514.	CEA, ECO-SLV-09-454	3.82.	For the first year of application, we recommend that Solvency I SCR could be set for undertakings over which significant influence is exercised when no Solvency II data is available. This would be consistent with proportionality and materiality principles. We do not agree on items n° 5 & 6 to be included at solo level. At group level, there should be no notional charge as consolidated assets will be included in the assessment of the Market Risk SCR. When assets are not reflected on the consolidated balance sheet because the undertakings are consolidated using the equity method, an assessment of the solo Market Risk should be made so that include the group's share in the group SCR. See also our comments on 3.49 and 3.79.	Noted See resolution of those comments
515.	CRO Forum	3.82.	The CRO Forum agrees that the consolidation/ accounting approach used for Solvency II should be aligned, as much as possible, with IFRS. The CRO Forum is globally aligned with the proposed treatment of participations (Annex 5), as it is consistent with our letter addressed to CEIOPS on 27th February on Group Solvency/ ways of consolidation. But we disagree with the treatment of Non Regulated non Financial entities, as it systematically does not recognize diversification benefit at group level. See also our response to § 3.78.	Noted Ancillary entities subject to dominant influence are consolidated through a full integration: this imply the

				recognition of diversification benefits
516.	European Insurance CFO Forum	3.82.	The CFO Forum welcomes that the proposed accounting treatments for the regulatory balance sheet (consolidation group) are in line with the international accounting standards. Comments in 3.54, 3.66, 3.74 and 3.79 are also relevant here.	Noted
517.	FFSA	3.82.	FFSA agrees that the regulatory balance sheet and consolidations methods proposed should be in line with international accounting standards, as well as French consolidation methods, using the risk and reward principles. Cf. comment under 3.49: for the first year of application, FFSA recommends that solvency I SCR could be used for undertaking under significant influence where no solvency II data is available. Proportionality and materiality principle shall apply. We do not agree on items n° 5 & 6 to be included at solo level (see our comment on § 3.79). At Group level, there should be no notional charge as consolidated assets will be included in the assessment of the Market Risk SCR. When assets are not reflected on the consolidated balance sheet because the undertakings are consolidated using the equity method, an assessment of the solo Market Risk should be made so that include the Group's share in the Group SCR.	Noted
518.	German Insurance Association – Gesamtverb and der D	3.82.	For the first year of application, we recommend that Solency I SCR could be sed for undertakings over which significant influence is exercised when no Solvency II data is available. This would be consistent with proportionality and materiality principles. We do not agree on items n° 5 & 6 to be included at solo level. At group level, there should be no notional charge as consolidated assets will be included in the assessment of the Market Risk SCR.	Noted

			When assets are not reflected on the consolidated balance sheet because the undertakings are consolidated using the equity method, an assessment of the solo Market Risk should be made so that include the group's share in the group SCR. See also our comments on 3.49 and 3.79.	
519.	Groupe Consultatif	3.82.	The use of international accounting standards as a starting point for solvency purposes, adjusted to account for differences between Solvency II principles and IFRS principles, seems reasonable. It would foster harmonization and level-playing field throughout Europe, and would also limit the implementation costs of the Solvency II Directive.	Noted
520.	Institut des actuaires (France)	3.82.	The use of international accounting standards as a starting point for solvency purposes, adjusted to account for differences between Solvency II principles and IFRS principles, seems reasonable. It would foster harmonization and level-playing field throughout Europe, and would also limit the implementation costs of the Solvency II Directive.	Noted
521.	KPMG ELLP	3.82.	We agree that, as envisaged by CP35, the regulatory economic balance sheet should follow IFRS fair value requirements as closely as possible, while recognising the need for prudential filters to be applied. We believe this should also follow for the determination of the consolidated Own Funds, which are derived therefrom.	Noted
522.	ROAM	3.82.	CEIOPS refers in its draft advice in green (not blue) to annex 5 for the proposed accounting treatment for the regulatory balance sheet of participations. Is this paragraph part of the advice? Companies not subject to international accounting standards, but using national GAAP would find such treatment not practical as such groups are not familiar with IFRS and this would imply the mandatory introduction of (parts of) IFRS which according to EU law is only mandatory for quoted groups as in line with their finality	No Noted

			to have at any moment a market value. In such case, CEIOPS should provide for a transposition of the relevant norms. It should be noted however that IAS/IFRS accounting has as purpose to define the market value of a company, whereas such concept is meaningless for a mutual undertaking. A survey of the top 100 insurance groups in Europe reveals that the majority files IFRS accounts (84%) at group level (including financial conglomerates) but that such acceptance diminishes with the smaller groups. (see also comments to annex 5)	
523.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.83.	Isn't there an incoherence in deducting the book value of that undertaking at this level? Shouldn't we consider the market value (if available) to eliminate this undertaking? Otherwise, that means that the difference between the market and book value of that undertaking could cover the SCR group even though no SCR for that particular undertaking was charged.	Noted
524.	Association of British Insurers	3.83.	If the Group is defined higher than just EEA holding company level, the non-recognition of substantial sectors of the worldwide insurance business could significantly affect the solvency of the Group. Hopefully supervisors could be satisfied by the adequacy of the information, but at this stage their criteria are not known.	Noted
525.	CEA, ECO-SLV-09-454	3.83.	**[EMPTY]**	
526.			Confidential comment deleted	
527.	European Insurance CFO Forum	3.83.	Using book values without having regard to whether these are based on economic principles is not appropriate. If the own funds of the group are calculated on an economic market	Noted

			consistent basis then the simple deduction of book values would be inappropriate. This issue should be addressed further in the level 2 implementation measures.	
528.			Confidential comment deleted	
529.	German Insurance Association – Gesamtverband der D	3.83.	**[EMPTY]**	
530.	Association of British Insurers	3.84.	It does not seem to follow from the Level 1 text (Article 227) that where the necessary information is not available, the simple deduction method would be applied regardless of whether this relates to a third country undertaking or an EEA undertaking.	Noted
531.	CEA, ECO-SLV-09-454	3.84.	It is clear in the Level 1 text (Art 227) that where the necessary information is not available, the simple deduction method would be applied regardless of whether this relates to a third country undertaking or an EEA undertaking.	Agreed See revised text
532.	Association of British Insurers	3.85.	See comments under 3.86	See resolution of those comments
533.			Confidential comment deleted	
534.	CEA, ECO-SLV-09-454	3.85.	See comments to 3.86.	See resolution of those comments
535.	Association of British	3.86.	For related insurance undertakings, using the simple deduction when the information available for the statutory accounting	Noted

	Insurers		consolidation is not available for the regulatory consolidated accounts might be too extreme, as other financial institutions are nevertheless included according to their sectoral requirements. Therefore, the possibility for the group parent to demonstrate that the information they have is sufficient for the group solvency calculation is welcome. Whilst the group is responsible for preparing the initial consolidated accounts, if the supervisor believes the information necessary for calculating group solvency is inadequate then the firm shall be given a detailed explanation and reasonable time to address the supervisor's concerns. Only in exceptional circumstances shall a deduction of the undertaking be imposed. We believe that there should be alignment between statutory accounting consolidation and regulatory consolidated account. Instead of deduction related undertakings could be included as equity investments. Including related undertakings listed on the stock exchange as an equity investment in the accounting consolidated method for the group calculations would be particularly relevant for related undertakings which are not material to the group SCR. We therefore suggest allowing for the equity investment treatment of related undertakings as a fall-back solution before requesting its deduction.	
536.	CEA, ECO-SLV-09-454	3.86.	The supervisor should evidence that the information to calculate the group solvency is not adequate, not the undertaking. In terms of related insurance undertakings, using the simple deduction when the information available for the statutory accounting consolidation is not available for the regulatory consolidated accounts might be too extreme, as other financial institutions are nevertheless included according to their sectoral requirements. Therefore, the possibility for the group parent to	Agreed See revised text Noted

			demonstrate that the information they have is sufficient for the group solvency calculation is welcome. However, in our view the supervisor has to demonstrate and document that the information necessary for calculating the group solvency is not adequate. This demonstration could be burdensome for the undertakings, when supervisors have more access to benchmarks and local accounting GAAP. In case the burden of proof rests on the undertakings, we would like to know more details on they could demonstrate that there is adequate information and how supervisory convergence could be ensured. Alignment with accounting rules is crucial unless there are justified reasons for divergence. Wherever possible the group consolidation under Solvency II should follow accounting consolidation unless there are strong arguments for divergence. Any difference will impose significant administrative burdens and will reduce transparency. Instead of deduction related undertakings could be included as equity investments. Article 227 of the level 1 text and this paragraph leave open what measures have to be taken to be able to demonstrate to supervisors that the information necessary for the calculation of the group solvency is adequate. As a deduction of a related undertaking means a 100% capital charge and the non recognition of possible diversification benefits, this could massively impact the group SCR result. There is always the possibility to include related undertakings listed at the stock exchange as an equity investment in the accounting consolidated method for the group calculations. This is particularly relevant for related undertakings which are not material to the group SCR. We therefore suggest allowing for the equity investment treatment of related undertakings as a fall-back solution before requesting its deduction.	Noted Agreed See also new par. 3.2. Noted Noted

537.	European Insurance CFO Forum	3.86.	The definition of "adequate" is unclear. The definition of what is deemed adequate is not clear. Further clarification is required to ensure that non-EEA entities are not disadvantaged. Comments in 3.66 are also relevant here.	Agreed See revised text
538.	European Union member firms of Deloitte Touche Toh	3.86.	Unavailable necessary information Paragraphs 3.83 to 3.85 – advice paragraph 3.80 The directive requires that where the necessary information is not available the book value of the participation should be deducted. CEIOPS advise that the supervisor should determine the sufficiency of information available. We recommend that the CEIOPS advice should consider what information is required to determine whether a provision is necessary in addition to deducting the book value of the participation, to allow for any deficit that there may be in any such deducted participation.	Noted
539.	FFSA	3.86.	We consider that the supervisor has to demonstrate and document that the information necessary for calculating the group solvency is not adequate. This demonstration could be burdensome for the undertakings, when supervisors have more access to benchmarks and local accounting GAAP. We do believe that there should be no difference between statutory accounting consolidation and regulatory consolidated account. Therefore all technical provisions will be assessed at their Best Estimate plus Risk Margin for the regulatory consolidated accounts. As a consequence, we do not see the point raised by this paragraph.	Noted
540.	German Insurance	3.86.	The supervisor should evidence that the information to calculate the group solvency is not adequate, not the undertaking.	See resolution of comment 536

	Association – Gesamtverb and der D		In terms of related insurance undertakings, using the simple deduction when the information available for the statutory accounting consolidation is not available for the regulatory consolidated accounts might be too extreme, as other financial institutions are nevertheless included according to their sectoral requirements. Therefore, the possibility for the group parent to demonstrate that the information they have is sufficient for the group solvency calculation is welcome. However, in our view the supervisor has to demonstrate and document that the information necessary for calculating the group solvency is not adequate. This demonstration could be burdensome for the undertakings, when supervisors have more access to benchmarks and local accounting GAAP. In case the burden of proof rests on the undertakings, we would like to know more details on they could demonstrate that there is adequate information and how supervisory convergence could be ensured. Alignment with accounting rules is crucial unless there are justified reasons for divergence. Wherever possible the group consolidation under Solvency II should follow accounting consolidation unless there are strong arguments for divergence. Any difference will impose significant administrative burdens and will reduce transparency. Instead of deduction related undertakings could be included as equity investments. Article 227 of the level 1 text and this paragraph leave open what measures have to be taken to be able to demonstrate to supervisors that the information necessary for the calculation of the group solvency is adequate. As a deduction of a related undertaking means a 100% capital charge and the non recognition of possible diversification benefits, this could massively impact the group SCR result. There is always the possibility to include related	

			undertakings listed at the stock exchange as an equity investment in the accounting consolidated method for the group calculations. This is particularly relevant for related undertakings which are not material to the group SCR. We therefore suggest allowing for the equity investment treatment of related undertakings as a fall-back solution before requesting its deduction.	
541.	Munich RE	3.86.	Article 227 of the level 1 text and this paragraph leave open what measures have to be taken to be able to demonstrate supervisors that the information necessary for calculating the group solvency is adequate. As a deduction of a related undertaking means a 100% capital charge and lack of possible diversification benefits, this could massively impact the group SCR result. Moreover, the exemplary reference to technical provisions in local GAAP is confusing as this information does not necessarily affect the economic Solvency II balance sheet nor the SCR calculation. There is always the possibility to include related undertakings listed at the stock exchange as an equity investment in the accounting consolidated method for the group calculations. This is especially a meaningful approach for related undertakings not being material for the group SCR. We therefore suggest to allow for the equity investment treatment of related undertakings as a fall-back solution before requesting its deduction.	Noted
542.	Royal Bank of Scotland Insurance	3.86.	To not include the related undertaking may be too severe. There should be at least some recognition of the undertaking event though there is inadequate information. Another method should be proposed.	Noted
543.			Confidential comment deleted	
544.	CRO Forum	3.87.	The paragraph proposes that CEIOPS will release a CP on criteria for assessing third countries in early 2010. Though early thoughts on the matter in this CP are welcome we believe that it’s imperative that CEIOPS formulate a firm view on third countries sooner rather	Noted. CEIOPS will provide equivalence advice on individual third country regimes.

			than later. We envisage a decision on equivalence will significantly impact the scope of the internal model and risk management framework, effecting the Solvency II project planning and timely approval of the internal model.	
545.	International Underwriting Association of London	3.87.	Section 2: We believe that diversification benefits and supervisory approval of group internal models should include non-EEA entities irrespective of whether regimes are deemed equivalent or not.	Agreed
546.	XL Capital Ltd	3.87.	We welcome CEIOPS initiative to clarify the treatment of 3rd country groups in a CP to be published in 2010.	Noted
547.	KPMG ELLP	3.88.	(a) We agree that the treatment of third country entities needs careful consideration and therefore welcome CEIOPS providing some initial thoughts in this CP. (b) We would however encourage CEIOPS to provide some early guidance on equivalence, both in terms of the assessment criteria and also the difference on the groups calculation applicable to equivalent and non-equivalent third country (re)insurance undertakings.	Noted CEIOPS will provide general advice on equivalence in March 2010 and advice on individual third country regimes.
548.	Association of British Insurers	3.89.	We do not agree that the recognition of diversification benefits with third country entities is more challenging than recognition of diversification benefits in general. The items mentioned (professional secrecy, access to information and fungibility and transferability) are not necessarily different in the case of third country entities compared to EEA countries. We are concerned that in many cases supervisors will choose to use the deduction and aggregation method or the deduction method rather than the default method. There is no rationale or legal basis in the Framework Directive which requires the limitation (if any) of the recognition of diversification effects of third country groups. Under the conditions of equivalence, third country groups should	CEIOPS considers it prudent for supervisors to carefully assess the recognition of diversification between entities in third countries, for example, through assessing the impact of local solo regulatory requirements. However, CEIOPS recognises that these issues may also affect undertakings within the Community and are not unique to third countries.

			receive the same treatment as EU groups. The subtitle before advice 3.89, paragraph 3.89, the last sentence of paragraph 3.90 and 3.106 should be deleted.	This does not imply supervisors will require the use of the deduction and aggregation method. Accept deletion of reference to the use of this method. See revised text
549.			Confidential comment deleted	
550.	CEA, ECO-SLV-09-454	3.89.	We do not agree that the recognition of diversification benefits with third country entities is more challenging than recognition of diversification benefits in general. The items mentioned (professional secrecy, access to information and fungibility and transferability) are not different in the case of third country entities compared to EEA countries. In any case, equivalence assessments should take into consideration such issues as professional secrecy and access to information which form part of the EU prudential regime. Fungibility and transferability considerations may be specific to individual undertakings, and so it is logical that these should be taken into account. However, such issues are already dealt with in the context of eligible elements of own funds (section 3.4.) and do not need to be considered again (and separately) when assessing diversification effects from third country groups. A simple reference in Section 3.2 to the relevant paragraphs in Section 3.4 would be sufficient. We are concerned that in many cases supervisors will choose to use the deduction and aggregation method or the deduction method rather than the default method. There is no rationale or legal basis	CEIOPS considers it prudent for supervisors to carefully assess the recognition of diversification between entities in third countries, for example, through assessing the impact of local solo regulatory requirements. However, CEIOPS recognises that these issues may also affect undertakings within the Community and are not unique to third countries. This does not imply supervisors will require the use of the deduction and aggregation method. Accept deletion of reference to the use of this method. See revised text

			in the Framework Directive which requires the limitation (if any) of the recognition of diversification effects of third country groups. Under the conditions of equivalence, third country groups should receive the same treatment as EU groups. The subtitle before advice 3.89, paragraph 3.89, the last sentence of paragraph 3.90 and 3.106 should be deleted.	
551.	CRO Forum	3.89.	We do not agree that the recognition of diversification benefits with third country entities may more challenging than recognition of diversification benefits in general. The items mentioned (professional secrecy, access to information and fungibility and transferability) are not different in the case of third country entities compared to EEA countries.	CEIOPS considers it prudent for supervisors to carefully assess the recognition of diversification between entities in third countries, for example, through assessing the impact of local solo regulatory requirements. However, CEIOPS recognises that these issues may also affect undertakings within the Community and are not unique to third countries.
552.	DIMA (Dublin International Insurance & Management	3.89.	Notwithstanding the fact that the practicalities may be challenging, supervisory authorities should work with the group to ensure that a well-diversified group receives credit for that diversification in the calculation of the SCR.	Noted
553.	European Insurance CFO Forum	3.89.	The recognition of diversification benefits of third country entities is not necessarily more challenging. The CFO Forum does not agree that the recognition of	See resolution of comment 389

			diversification benefits of third country entities is more challenging than the recognition of diversification benefits in general. The items mentioned (professional secrecy, access to information and fungibility and transferability) are no different to measure in third country entities than in EEA countries.	
554.			Confidential comment deleted	
555.	German Insurance Association – Gesamtverb and der D	3.89.	We do not agree that the recognition of diversification benefits with third country entities is more challenging than recognition of diversification benefits in general. The items mentioned (professional secrecy, access to information and fungibility and transferability) are not different in the case of third country entities compared to EEA countries. In any case, equivalence assessments should take into consideration such issues as professional secrecy and access to information which form part of the EU prudential regime. Fungibility and transferability considerations may be specific to individual undertakings, and so it is logical that these should be taken into account. However, such issues are already dealt with in the context of eligible elements of own funds (section 3.4.) and do not need to be considered again (and separately) when assessing diversification effects from third country groups. A simple reference in Section 3.2 to the relevant paragraphs in Section 3.4 would be sufficient. We are concerned that in many cases supervisors will choose to use the deduction and aggregation method or the deduction method rather than the default method. There is no rationale or legal basis in the Framework Directive which requires the limitation (if any) of the recognition of diversification effects of third country groups. Under the conditions of equivalence, third country groups should receive the same treatment as EU groups. The subtitle before	See resolution of comment 550

			advice 3.89, paragraph 3.89, the last sentence of paragraph 3.90 and 3.106 should be deleted.	
556.	KPMG ELLP	3.89.	(a) We note that CEIOPS's initial view is that "diversification from these entities may be challenging" and that this may "require the application of the deduction and aggregation method". Whilst we recognise the challenges, we believe it is important that this does not lead to a default to the D&A method, given the Level 1 text sets the accounting consolidation method as the default method. Given that many EEA groups have intentionally undertaken business in third countries to help diversify their risks, we believe it important that further consideration be given to how such diversification benefits can be recognised. In the absence of this, we believe there is a possibility that more groups may seek to restructure onto a branch network structure to enable such diversification benefits to be recognised. (b) Whilst we agree that equivalence should not be the only consideration, it would be hoped that there would be fewer regulatory barriers to recognition of diversification benefits between such entities and the EEA (re)insurance undertakings. For example, we would expect that matters such as professional secrecy and information sharing should have been addressed. As such, the only obstacle we envisage relates to fungibility of Own Funds, but in this respect, we would expect an equivalent third country (re)insurance undertaking to be treated pari passu with its EEA equivalent.	Noted. Accept deletion of reference to the use of this method Noted
557.	Pearl Group Line	3.89.	We do not agree that the recognition of diversification benefits with third country entities is more challenging than recognition of diversification benefits in general. The items mentioned (professional secrecy, access to information and fungibility and transferability) are not different in the case of third country entities compared to EEA countries.	Noted. Accept deletion of reference to the use of this method

			We are concerned that in many cases supervisors will choose to use the deduction and aggregation method or the deduction method rather than the default method. There is no rationale or legal basis in the Framework Directive which requires the limitation (if any) of the recognition of diversification effects of third country groups. Under the conditions of equivalence, third country groups should receive the same treatment as EU groups. The subtitle before advice 3.89, paragraph 3.89, the last sentence of paragraph 3.90 and 3.106 should be deleted.	
558.	Royal Bank of Scotland Insurance	3.89.	We do not agree that issues of professional secrecy, access to information and the fungibility or transferability would make the recognition of diversification benefits more challenging.	Noted
559.	UNESPA - Spanish Union of Insurance and Rein	3.89.	CEIOPS should explain the reasons for which it believes that professional secrecy is an impediment for the recognition of the diversification arising from entities in third countries.	Reference to professional secrecy deleted
560.	XL Capital Ltd	3.89.	We have concerns that this paragraph seems to imply that diversification benefits for 3rd country entities in the group calculation may be restricted. If this is not the case, the additional capital requirement add-ons for a non-EEA ultimate parent will simply ensure that such groups with EEA subsidiaries will be placed in an unfair competitive position with groups that do not have EEA subsidiaries. There is a natural economic diversification benefit intrinsic within well balanced groups and non-recognition of this is to ignore basic economic concepts.	Noted
561.	AAS BALTA	3.90.	We agree with the approach that diversification benefits should be available to for non-EEA entities and that this should not necessarily be restricted if the third country is located in a non-equivalence third country. In practice written agreements on confidentiality and transferability between supervisors may be hard	Noted

			to achieve.	
562.	AB Lietuvos draudimas	3.90.	We agree with the approach that diversification benefits should be available to for non-EEA entities and that this should not necessarily be restricted if the third country is located in a non-equivalence third country. In practice written agreements on confidentiality and transferability between supervisors may be hard to achieve.	Noted
563.	Association of British Insurers	3.90.	This paragraph suggests that if suitable supervisory arrangements are in place in addition to third country regulations (which itself raises questions about the purpose of equivalence assessments), the recognition of diversification effects may be facilitated. As 3.89 above states, the recognition of diversification benefits is not solely based on the result of an equivalence assessment.	Existing supervisory cooperation arrangements may help to assess diversifcation
564.			Confidential comment deleted	
565.	CEA, ECO-SLV-09-454	3.90.	See comments to 3.89 and 3.106.	See resolution of those comments
566.	DENMARK: Codan Forsikring A/S (10529638)	3.90.	We agree with the approach that diversification benefits should be available to for non-EEA entities and that this should not necessarily be restricted if the third country is located in a non-equivalence third country. In practice written agreements on confidentiality and transferability between supervisors may be hard to achieve.	Noted
567.			Confidential comment deleted	
568.	KPMG ELLP	3.90.	We agree that where the necessary features are met, recognition of diversification with a non-equivalent third country (re)insurance undertaking should also be possible. Where supervisory arrangements are needed to achieve this, we believe this should be transparent and applied consistently across the EEA.	Noted

569.	Link4 Towarzystwo Ubezpieczeń SA	3.90.	We agree with the approach that diversification benefits should be available to for non-EEA entities and that this should not necessarily be restricted if the third country is located in a non-equivalence third country. In practice written agreements on confidentiality and transferability between supervisors may be hard to achieve.	Noted
570.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.90.	We agree with the approach that diversification benefits should be available to for non-EEA entities and that this should not necessarily be restricted if the third country is located in a non-equivalence third country. In practice written agreements on confidentiality and transferability between supervisors may be hard to achieve.	Noted
571.	Pearl Group Line	3.90.	The recognition of diversification benefits is not solely based on the result of an equivalence assessment.	Noted
572.	RSA Insurance Group PLC	3.90.	We agree with the approach that diversification benefits should be available to for non-EEA entities and that this should not necessarily be restricted if the third country is located in a non-equivalence third country. In practice written agreements on confidentiality and transferability between supervisors may be hard to achieve.	Noted
573.	RSA Insurance Ireland Ltd	3.90.	We agree with the approach that diversification benefits should be available to for non-EEA entities and that this should not necessarily be restricted if the third country is located in a non-equivalence third country. In practice written agreements on confidentiality and transferability between supervisors may be hard to achieve.	Noted
574.	RSA - Sun Insurance Office Ltd.	3.90.	We agree with the approach that diversification benefits should be available to for non-EEA entities and that this should not necessarily be restricted if the third country is located in a non-equivalence third country. In practice written agreements on	Noted

			confidentiality and transferability between supervisors may be hard to achieve.	
575.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.90.	We agree with the approach that diversification benefits should be available to for non-EEA entities and that this should not necessarily be restricted if the third country is located in a non-equivalence third country. In practice written agreements on confidentiality and transferability between supervisors may be hard to achieve.	Noted
576.	UNESPA - Spanish Union of Insurance and Rein	3.90.	Most supervisors globally perform there duties correctly and their professional standards are becoming increasingly aligned through the IAIS (witness the recent MMoU). A practical alternative to the approach proposed in paragraph 3.90 would be to assume that the professional standards of a supervisor are acceptable unless evidence of the contrary becomes available, in which case an exclusion of their country would be understandable	Noted
577.			Confidential comment deleted	
578.	Investment & Life Assuarnce Group (ILAG)	3.92.	The table only applies to calculations under the aggregation and deduction method i.e., under article 231 as set out in article 225. The inference is therefore that equivalence does not apply if using the accounting consolidation method. This is supported by 3.93 & 3.94 and 3.97 below.	Agreed
579.	KPMG ELLP	3.92.	We seek further clarification from CEIOPS regarding the two tables presented here. If our reading of these tables is correct, then we have the following comments: (a) Table 1 covers the situation of an EEA headed group. The final column of table 1 refers to the capital requirements "only for deduction and aggregation". There is no corresponding consideration of what it means if the accounting consolidation	This is because there is no requirement to undertake equivalence assessment for the accounting consolidation method

			method is applied. Paragraphs 3.93 and 3.97 also make no reference to whether third countries would be included on a local or Solvency II basis. We believe that the same principle should apply to that set out in the final column of table 1 – i.e. if the (re)insurance undertaking is in an equivalent territory, it should be included on a local regulatory basis, and if it is in a non-equivalent territory, it should be restated onto a Solvency II basis. (b) Table 2 covers the situation of a third country headed group. The final column states that where the group supervisor is in that third country regime and it has been deemed equivalent, no EEA sub-group calculation is required. Article 253a of the Level 1 text only refers to Article 251 to 262. However, Article 211(2) refers to group supervision at both the EEA level (sub-paragraph b) and the worldwide level (sub-paragraph c). We are aware that Article 213 prevents the need for sub-group assessments of group solvency where the ultimate parent is in the EEA, but table 2 and 3.104 appear to extend this to the situation where the ultimate parent is in an equivalent territory. Whilst welcoming the need to only consider the calculation at the overall worldwide group level in this situation, we wish to clarify that this is indeed the intention. We request CEIOPS clarification on these two matters.	Correct. CEIOPS considers that subgroup supervision may only be required in the case of non-equivalence
580.	CEA, ECO-SLV-09-454	3.93.	The combined text of 3.93 and 3.94 is identical to 3.97 which suggests that the intention is that equivalence makes no difference when performing the default method. If so, this should be explicitly stated. If not, clarification of the differences should be given. See also comments to 3.89.	Noted
581.	European Union	3.93.	Third countries – not equivalent - Paragraphs 3.91 – 3.105 - Advice paragraphs 3.106 – 3.111	Noted

	member firms of Deloitte Touche Toh		Paragraphs 3.93 and 3.94 indicate that where a third country regime is not equivalent a group supervisor may choose to apply the default consolidation method and recognise full diversification. This treatment is identical to the default method outlined in paragraph 3.97 where a third country regime is equivalent. We suggest that the CEIOPS advice should set out the circumstances when it may be appropriate to apply the default method as outlined in paragraph 3.93 to a third country participation where the third country is not considered equivalent.	The paper sets out the consequences of an equivalence decision, but not the criteria on which that decision will be made. This will be included in a future CP on equivalence assessment for early 2010
582.	Groupe Consultatif	3.93.	We suggest applying a consistent economic assessment of available and required capital to all businesses, i.e. for EEA and non-EEA as well as other sectors irrespective of the equivalence of the regime. This means applying the same valuation standards and capital requirements to both EEA and non-EEA entities including diversification effects subject to fungibility constraints. Otherwise, regulatory arbitrage inside a group between EEA and non-EEA entities could occur.	Noted
583.	Investment & Life Assuarnce Group (ILAG)	3.93.	Treatment for where third country regime not equivalent under default method is identical to where third country regime is equivalent. i.e. 3.97 is identical to 3.93 & 3.94.	Noted
584.	KPMG ELLP	3.93.	See 3.92	Noted
585.	AAS BALTA	3.94.	We agree that the group should be able to demonstrate the availability and quality of the required data and information to allow the third-country insurance undertaking to be accurately included in the consolidated accounts to ensure an appropriate group SCR calculation, and that this can be verified during the SRP.	Noted
586.	AB Lietuvos	3.94.	We agree that the group should be able to demonstrate the	Noted

	draudimas		availability and quality of the required data and information to allow the third-country insurance undertaking to be accurately included in the consolidated accounts to ensure an appropriate group SCR calculation, and that this can be verified during the SRP.	
587.	CEA, ECO-SLV-09-454	3.94.	See comments to 3.93. In terms of the availability and quality of the required data and information, further clarification as to how such a demonstration could be achieved would be helpful and facilitate consistency.	Noted
588.	DENMARK: Codan Forsikring A/S (10529638)	3.94.	We agree that the group should be able to demonstrate the availability and quality of the required data and information to allow the third-country insurance undertaking to be accurately included in the consolidated accounts to ensure an appropriate group SCR calculation, and that this can be verified during the SRP.	Noted
589.	DIMA (Dublin International Insurance & Management	3.94.	More advice is needed for both undertakings and supervisors on how availability and quality of data and information should be assessed.	Noted
590.	Investment & Life Assuarnce Group (ILAG)	3.94.	Treatment for where third country regime not equivalent under default method is identical to where third country regime is equivalent. i.e. 3.97 is identical to 3.93 & 3.94.	Noted
591.	Link4 Towarzystwo Ubezpieczeń SA	3.94.	We agree that the group should be able to demonstrate the availability and quality of the required data and information to allow the third-country insurance undertaking to be accurately included in the consolidated accounts to ensure an appropriate group SCR calculation, and that this can be verified during the SRP.	Noted
592.	NORWAY:	3.94.	We agree that the group should be able to demonstrate the	Noted

	Codan Forsikring (Branch Norway) (991 502		availability and quality of the required data and information to allow the third-country insurance undertaking to be accurately included in the consolidated accounts to ensure an appropriate group SCR calculation, and that this can be verified during the SRP.	
593.	RSA Insurance Group PLC	3.94.	We agree that the group should be able to demonstrate the availability and quality of the required data and information to allow the third-country insurance undertaking to be accurately included in the consolidated accounts to ensure an appropriate group SCR calculation, and that this can be verified during the SRP.	Noted
594.	RSA Insurance Ireland Ltd	3.94.	We agree that the group should be able to demonstrate the availability and quality of the required data and information to allow the third-country insurance undertaking to be accurately included in the consolidated accounts to ensure an appropriate group SCR calculation, and that this can be verified during the SRP.	Noted
595.	RSA - Sun Insurance Office Ltd.	3.94.	We agree that the group should be able to demonstrate the availability and quality of the required data and information to allow the third-country insurance undertaking to be accurately included in the consolidated accounts to ensure an appropriate group SCR calculation, and that this can be verified during the SRP.	Noted
596.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.94.	We agree that the group should be able to demonstrate the availability and quality of the required data and information to allow the third-country insurance undertaking to be accurately included in the consolidated accounts to ensure an appropriate group SCR calculation, and that this can be verified during the SRP.	Noted
597.	AAS BALTA	3.95.	Agree with approach that where the third-country regime is not equivalent and undertaking is not available to be consolidated then the Solvency II rules should be used to calculate the SCR and own funds of the entity.	Noted
598.	AB Lietuvos	3.95.	Agree with approach that where the third-country regime is not	Noted

	draudimas		equivalent and undertaking is not available to be consolidated then the Solvency II rules should be used to calculate the SCR and own funds of the entity.	
599.			Confidential comment deleted	
600.	DENMARK: Codan Forsikring A/S (10529638)	3.95.	Agree with approach that where the third-country regime is not equivalent and undertaking is not available to be consolidated then the Solvency II rules should be used to calculate the SCR and own funds of the entity.	Noted
601.	KPMG ELLP	3.95.	Whilst we recognise that the technical functioning of the D&A method does not recognise diversification benefits, we have concerns that applying different calculation methodologies should of itself result in diversification benefits being allowed or disallowed in full. We believe that, providing diversification benefits are provable, they should be allowed on a consistent basis across both the accounting consolidation and D&A approaches. The differing approaches also raises concerns as to how diversification would be treated if a hybrid of the two bases were to be applied.	Noted
602.	Link4 Towarzystwo Ubezpieczeń SA	3.95.	Agree with approach that where the third-country regime is not equivalent and undertaking is not available to be consolidated then the Solvency II rules should be used to calculate the SCR and own funds of the entity.	Noted
603.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.95.	Agree with approach that where the third-country regime is not equivalent and undertaking is not available to be consolidated then the Solvency II rules should be used to calculate the SCR and own funds of the entity.	Noted

604.	RSA Insurance Group PLC	3.95.	Agree with approach that where the third-country regime is not equivalent and undertaking is not available to be consolidated then the Solvency II rules should be used to calculate the SCR and own funds of the entity.	Noted
605.	RSA Insurance Ireland Ltd	3.95.	Agree with approach that where the third-country regime is not equivalent and undertaking is not available to be consolidated then the Solvency II rules should be used to calculate the SCR and own funds of the entity.	Noted
606.	RSA - Sun Insurance Office Ltd.	3.95.	Agree with approach that where the third-country regime is not equivalent and undertaking is not available to be consolidated then the Solvency II rules should be used to calculate the SCR and own funds of the entity.	Noted
607.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.95.	Agree with approach that where the third-country regime is not equivalent and undertaking is not available to be consolidated then the Solvency II rules should be used to calculate the SCR and own funds of the entity.	Noted
608.	Association of British Insurers	3.96.	The implication of this paragraph is that when a particular supervisory regime has not received an equivalence decision, or received a negative equivalence assessment, then approval of an internal model covering subsidiaries will be extremely difficult, and therefore is unlikely. This creates no incentive for (re)insurers to improve risk management through the appropriate use of internal models. In order to promote the use of internal models supervisors should specify what type of information is needed to "scrutinize how related third-country undertakings are treated in a group internal model". We believe that the standards should be identical to those applied to undertakings within the EEA. Further we do not understand that in the case where there is no equivalence "the issue may be difficult to resolve". It is our	Disagree. Intention is to note that modelling risk at group level from entities in a non-equivalent regime may be difficult Noted. Deleted

			understanding that in such cases Solvency II capital requirements apply and these are calculated in the internal model.	
609.	CEA, ECO-SLV-09-454	3.96.	It should not be impossible to approve internal models even when there is no equivalence. The implication of this paragraph is that when a particular supervisory regime has not received an equivalence decision, or received a negative equivalence assessment, then approval of an internal model covering subsidiaries will be extremely difficult, and therefore is unlikely. This creates no incentive for (re)insurers to improve risk management through the appropriate use of internal models. In order to promote the use of internal models it should be specified what type of information is required for supervisors to "scrutinize how related third-country undertakings are treated in a group internal model". We believe that the standards should be identical to those applied to undertakings within the EEA. We note that the standard formula is also a form of model and hence will have the same challenges as an internal model. Further we do not understand that in the case where there is no equivalence "the issue may be difficult to resolve". It is our understanding that in such cases Solvency II capital requirements apply and these are calculated in the internal model.	Intention is to note that modelling risk at group level from entities in a non-equivalent regime may be difficult
610.	CRO Forum	3.96.	See our comment on 3.106 (risk of non-recognition of diversification benefit for non-EEA countries) While we understand the discussion, we note that the standard formula is also a model and hence will have the same challenges as an internal model. Further we do not understand that in the case there is no equivalence "the issue may be difficult to resolve". It is our	Noted

			understanding that in such cases Solvency II capital requirements apply and these are calculated in the internal model. Governance and internal controls are key to assess whether information at group level about entities in third countries is reliable, not whether the country in which this entity is located is equivalent or not.	
611.	DIMA (Dublin International Insurance & Management	3.96.	Notwithstanding the fact that the practicalities may be challenging, supervisory authorities should work with the group to ensure that an appropriate group internal model can be used. An internal model is an important tool for managing the business and a group should be encouraged, not discouraged from using such a model, particularly when it has entities in third countries.	Noted
612.	European Insurance CFO Forum	3.96.	Any challenges associated with the treatment of third-country undertakings in the internal model are equally relevant to the standard model. The CFO Forum notes that the standard model will be subject to the same challenges as an internal model in the treatment of third-country undertakings. We disagree with the statement around the treatment of third-country undertakings that "where there is no equivalence, this issue may be difficult to resolve". Our understanding is that in such cases, Solvency II capital requirements apply and are calculated in the internal model.	Noted
613.	European Union member firms of Deloitte	3.96.	This paragraph could be understood as an obstacle to the implementation of a full internal model in groups with subsidiaries in countries with no equivalent supervisory regime. We recommend that CEIOPS clarifies the impact of this statement in the CP on third country equivalence.	See resolution of comment 609

	Touche Toh			
614.	German Insurance Association – Gesamtverb and der D	3.96.	It should not be impossible to approve internal models even when there is no equivalence. The implication of this paragraph is that when a particular supervisory regime has not received an equivalence decision, or received a negative equivalence assessment, then approval of an internal model covering subsidiaries will be extremely difficult, and therefore is unlikely. This creates no incentive for (re)insurers to improve risk management through the appropriate use of internal models. In order to promote the use of internal models it should be specified what type of information is required for supervisors to "scrutinize how related third-country undertakings are treated in a group internal model". We believe that the standards should be identical to those applied to undertakings within the EEA. We note that the standard formula is also a form of model and hence will have the same challenges as an internal model. Further we do not understand that in the case where there is no equivalence "the issue may be difficult to resolve". It is our understanding that in such cases Solvency II capital requirements apply and these are calculated in the internal model.	See resolution of comment 609
615.	Munich RE	3.96.	In order to promote the use of internal models it should be specified what type of information is required for supervisors to "scrutinize how related third-country undertakings are treated in a group internal model". We believe that the standards should be identical to those applied to undertakings within the EEA.	Noted
616.	Pearl Group Line	3.96.	This should happen as a matter of course when getting an Internal Model signed-off.	Noted
617.	Association of British Insurers	3.97.	The treatment where third country regime is not equivalent under default method is identical to where third country regime is equivalent. i.e. 3.97 is identical to 3.93 & 3.94 combined	Noted

618.	CEA, ECO-SLV-09-454	3.97.	Treatment where third country regime is not equivalent under default method is identical to where third country regime is equivalent. i.e. 3.97 is identical to 3.93 & 3.94 combined.	Noted
619.	Investment & Life Assuarnce Group (ILAG)	3.97.	Treatment for where third country regime not equivalent under default method is identical to where third country regime is equivalent. i.e. 3.97 is identical to 3.93 & 3.94.	Noted
620.	KPMG ELLP	3.97.	See 3.92	See resolution of that comment
621.	Association of British Insurers	3.98.	See comments under 3.89	See resolution of that comment
622.			Confidential comment deleted	
623.	CEA, ECO-SLV-09-454	3.98.	While we understand that aggregating Solvency II capital requirements for the EEA entities with SCR and own fund based on local third country requirements for the non EEA entities is challenging, it is not clear why there should not be a recognition of diversification benefits (and concentration risk). See also comment to 3.89.	This is a technical outcome of the methodology. This does not prohibit the recognition of diversification at solo level
624.			Confidential comment deleted	
625.	European Insurance CFO Forum	3.98.	The challenges associated with incorporating a third-country regime do not justify not allowing for diversification benefits. The CFO forum appreciates that it is challenging to aggregate Solvency II capital requirements for the EEA entities with an SCR and own fund based on local third country requirements for the non-EEA entities. However, CEIOPS should clarify how this leads to the conclusion that recognising diversification benefits should not be allowed.	This is a technical outcome of the methodology. This does not prohibit the recognition of diversification at solo level

626.	DIMA (Dublin International Insurance & Management	3.99.	More advice is needed for both undertakings and supervisors on how availability and quality of data and information should be assessed.	Noted
627.	Royal Bank of Scotland Insurance	3.99.	"Quality" is a subjective description – this should be explicitly defined as it is unclear as it stands.	Noted
628.	Association of British Insurers	3.100.	The equivalence assessment itself should be such as to alleviate some of the concern implied in this paragraph. An appropriate approach should be determined once the scope of the equivalence assessment is determined. See also comment under 3.96.	Noted
629.			Confidential comment deleted	
630.	CEA, ECO-SLV-09-454	3.100.	The equivalence assessment itself should be such as to alleviate some of the concern implied in this paragraph. An appropriate approach should be determined once the scope of the equivalence assessment is determined. See also comment to 3.96.	Noted
631.			Confidential comment deleted	
632.	Munich RE	3.100.	In order to promote the use of internal models it should be specified what type of information is required for supervisors to "scrutinize how related third-country undertakings are treated in a group internal model". We believe that the standards should be identical to those applied to undertakings within the EEA.	Noted
633.	Association of British Insurers	3.101.	This paragraph appears to clarify that the Group Consolidation could be calculated at the level of the ultimate parent undertaking even if that is in a third country regime and that a European consolidation would not be required.	Noted
634.			Confidential comment deleted	

635.	CEA, ECO-SLV-09-454	3.101.	This appears to be an extra-territorial requirement, and raises the question as to who would determine the approach to use.	Noted
636.			Confidential comment deleted	
637.	International Underwriting Association of London	3.101.	Section 3.2.2.3: The Level 1 text provides for the option to require a non-EEA subsidiary to establish itself within the EEA. This section makes no reference to circumstances when such a an option can or might be triggered; for example where the supervisor has concerns about the access to group information, or other founded reasons with respect to the non-EEA entity's overall solvency. We do not believe it is appropriate that this option can be triggered without reasonable justification for doing so. We do however agree that supervisors should consult the ultimate parent undertaking with respect to determining the establishment within the EEA. We trust that final decision of where to locate will rest with the ultimate parent undertaking rather than the supervisor.	CEIOPS considers it important that supervisors have some flexibility in applying "other methods", which is why there is no detailed criteria on this issue and may be addressed at Level 3
638.	KPMG ELLP	3.101.	As 3.92, we welcome the need to only consider the calculation at the overall worldwide group level in this situation, we wish to clarify that this is indeed the intention.	Correct
639.	Munich RE	3.101.	**[EMPTY]**	
640.	XL Capital Ltd	3.101.	This paragraph does not set out clearly the level at which the group calculation needs to be made: is it at the level of the next parent undertaking (which may be EEA based, eventhough the head of the group is outside the EEA) or the ultimate parent undertaking?	The intention is at the ultimate parent level
641.	Association of British Insurers	3.102.	In contrast to para 3.101, this paragraph appears to empower the lead Supervisor to require a holding company at the European level, to create an EEA subgroup. More clarity would be appreciated from CEIOPS regarding expectations of worldwide Group Solvency for groups where the parent undertaking is outside	See forthcoming CEIOPS advice on equivalence

			the EEA and where the third country regime is not equivalent.	
642.	CRO Forum	3.102.	This paragraph (and article 264(2) of the Directive suggest that setting up a EEA based sub holding company will allow more effective supervision of a company with a non EEA based holding. We see the advantage of this in that it allows the EEA regulators to have a clearer legal framework for enforcing the solvency II regulation on that company. However it still fails to prevent mismanagement at a level outside of the EEA. e.g. the ultimate holding company may be overleveraged. This could lead to competitive disadvantage for European groups. To address the issue, CRO Forum encourages the European Commission to engage into discussions and close cooperation with non-EEA authorities in order to reach recognition of equivalence under the Directive provisions. The CRO Forum will contribute to the review of the forthcoming CEIOPS paper on general criteria of third country equivalence.	See forthcoming CEIOPS advice on equivalence
643.	DIMA (Dublin International Insurance & Management	3.102.	This paragraph could have a very significant impact on group structures. It requires the setting up potentially of a holding company within the EU, which could impact third country entities with EU branches.	Noted. The measure is designed to ensure te appropriate supervision of EEA entities
644.			Confidential comment deleted	
645.	Solvency II Legal Group This response reflects the	3.102.	It would be desirable to have greater clarity as to the circumstances in which the establishment of an intermediate holding company might be required under Article 264(2) of the Directive.	Noted
646.	Association of British Insurers	3.103.	If a third country parent is required to establish an EU holding, it should be free to choose where to do so. However, this paragraph implies that the supervisors would specify where this should be.	Noted. CEIOPS considers it is the group who will make this decision but it is important that the

				group consults the supervisory authority which would be the group supervisor. See revised text
647.			Confidential comment deleted	
648.	CEA, ECO-SLV-09-454	3.103.	It is unclear whether it will be the group or group supervisor that has the final decision as to the location of an intermediate insurance holding company in the EU. If a third country parent is required to establish an EU holding, it should be free to choose where to do so. However, this paragraph implies that the supervisors would specify where this should be.	Noted. CEIOPS considers it is the group who will make this decision but it is important that the group consults the supervisory authority which would be the group supervisor. See revised text
649.	German Insurance Association – Gesamtverb and der D	3.103.	It is unclear whether it will be the group or group supervisor that has the final decision as to the location of an intermediate insurance holding company in the EU. If a third country parent is required to establish an EU holding, it should be free to choose where to do so. However, this paragraph implies that the supervisors would specify where this should be. It would be useful if CEIOPS could clarify what 'unintended consequences' or 'unnecessary regulatory costs' might be arise.	See resolution of comment 648
650.	Investment & Life Assuarnce Group (ILAG)	3.103.	It is unclear whether it will be the group or group supervisor that has the final decision as to the location of an intermediate insurance holding company in the EU.	See resolution of comment 648
651.	Solvency II Legal Group This	3.103.	2. We note that paragraph 3.103 of CP 60 states that it is important that supervisors consult the ultimate parent undertaking in determining the location of the holding company. However, this	Noted

	response reflects the		comment is not reflected in the advice from CEIOPS; it would seem desirable to us that it should be.	
652.			Confidential comment deleted	
653.	DIMA (Dublin International Insurance & Management	3.104.	Under Canadian regulation currently, OSFI is extra territorial, i.e. it supervises all branches and subsidiaries of the parent company. If for example the Canadian regime is considered equivalent to the EU regime and co-operation exists, does this cover the situation where the third country entity (Canadian parent entity for example) has an EU branch established?	The Level 1 text has a separate regime for the treatment of third coutry branches. This may not trigger group requirements
654.	KPMG ELLP	3.104.	This paragraph seems to suggest that where there are EEA subsidiaries of a third country parent where the regime is deemed equivalent, there will be complete reliance of the third country supervisory authority. We question whether this is the intention. Article 263a of the Level 1 text refers to both reliance on the equivalent group supervision exercised by the third-country supervisory authorities, and “Articles 251 to 262 shall apply mutatis mutandis to the cooperation with third-country supervisory authorities”. Articles 252 and 253 refer to the College of Supervisors, as elaborated on in CP 62. In order to ensure that EEA policyholders are afforded appropriate protection, we would have expected EEA supervisory authorities to participate in the operation of similar joint supervision to that outlined in relation to College of Supervisors in CP 62, but organised and led by the third country supervisory authority. We believe it would be helpful if CEIOPS were to clearly articulate how it envisages the supervisory arrangements to work in practice where a third country regulator takes the group supervision role.	Noted
655.			Confidential comment deleted	
656.	CEA,	3.105.	It is not clear what ‘the same criteria’ and ‘the same solvency	The text refers to a scenario

	ECO-SLV-09-454		approach' means and who is making the equivalence determination (although reference to 3.111 below suggests that this relates to decisions taken by individual supervisors), but clearly a consistent approach by all Ceiops Members will be important at all times. Again, the second sentence does not put equivalence decisions in the context of decisions reached by the European Commission and group supervisors which raises some concerns.	where no decision has been adopted by the European Commission
657.	DIMA (Dublin International Insurance & Management	3.105.	This appear to imply that if one Member State grants equivalency to a third country, then all Member States should treat the third country consistently, until such a time as a Member State does not deem the third country equivalent, in which case all Member States must follow. This may lead to issues between Member States. Where, for example, the Canadian regime is extra-territorial and the EU regime is also essentially going to be extra-territorial, it would appear that there will be an overlap in the regimes. Who takes precedence? From this guidance, it would appear to be the Canadian regime. Is this a correct interpretation?	Noted
658.	German Insurance Association – Gesamtverband der D	3.105.	It is not clear what 'the same criteria' and 'the same solvency approach' means and who is making the equivalence determination (although reference to 3.111 below suggests that this relates to decisions taken by individual supervisors), but clearly a consistent approach by all CEIOPS Members will be important at all times. Again, the second sentence does not put equivalence decisions in the context of decisions reached by the European Commission and group supervisors which raises some concerns.	The text refers to a scenario where no decision has been adopted by the European Commission
659.	Association of British Insurers	3.106.	25. We disagree with CEIOPS' presumption that there will always be restrictions to the recognition of third country diversification effects. We therefore do not see any reason why supervisors may require the application of the deduction aggregation method for the inclusion of third country entities. The benefits of having third country entities within a group should be	Noted. See resolution of comment 548

			fully recognised and it should be left to the group to decide which method is best to calculate its group solvency. There should not be any supervisory discretion to impose the deduction aggregation method which should only be applied in very limited and listed circumstances, e.g. only inappropriate when no adequate information is available and the omission can have a material effect and the transfer of capital is legally impaired between the entities within the group.	
660.	CEA, ECO-SLV-09-454	3.106.	We see no justified reason to assume that equivalence is a prerequisite for the recognition of diversification effects. Whether or not a regime is equivalent, it has nothing to do with the question whether risks are diversified, and how risks are to be assessed. It is irrelevant that a regime is not equivalent, as long as it does not hinder the transfer of own funds to an EU undertaking if needed. Level 2 advice should establish clearly what is required for the recognition of diversification benefits from third countries entities. The accounting-consolidation method is the default method and it is possible to recognise diversification benefits from third country entities. It should be ensured that a level playing field is established to ensure groups are treated equally with respect to the inclusion of third country entities. It is important that all possible diversification effects are recognised, just as it is important to account for all possible sources of risk within the group. We disagree with Ceiops' presumption that there will always be restrictions to the recognition of third country diversification effects. We therefore do not see any reason why supervisors may require the application of the deduction aggregation method for the inclusion of third country entities. The benefits of having third country entities within a group should be fully recognised and it	Agree that accounting consolidation and equivalence are different issues Agree that quality of information, etc is key issue with respect to the use of different methods See also resolution of comment 550

			should be left to the group to decide which method is best to calculate its group solvency. We believe the requirement to adopt the deduction and aggregation method should be as limited as possible since this would not provide exhaustive information in terms of quantity/quality and comparability among groups compared to the consolidation based method. In situations where the local supervisor does not provide information to the group supervisor, the group should still be able to apply the deduction and aggregation or the accounting-consolidation method as long as it can evidence the reliability of information. The group should then be able to include the non-EEA subsidiary in group own funds and benefit from diversification effects. This comment also applies to 3.109. The accounting consolidation based method is the default method and it better captures the features of the group as a whole and as a single economic unit. Moreover it is manly based on internationally recognized accounting GAAPs which makes the basic elements comparable among groups. In particular, considering also CP 58 on Solvency and Financial Condition Report, the accounting-consolidation method would ensure consistent disclosure of capital requirement and risks (market risk, underwriting risk etc.) which would not be the case under the deduction and aggregation method. Moreover there would be transparent and consistent disclosure on diversification effects and transferability of own funds within the group. Therefore, in order to achieve more consistent comparability within financial markets and deeper disclosure on the groups' risk profiles the consolidation based method should be therefore preferred. Also see comments to 3.89.	
661.	CRO Forum	3.106.	We strongly disagree that supervisors may not recognize diversification benefits with undertakings from non-equivalent third countries, even if a group internal model is developed, due to	Diversification may not be recognised between EEA entities in certain circumstances. The

			issues such as professional secrecy, access to information and fungibility restrictions of own funds. It is a critical concern for European Groups as a vast majority perform at least a third of their business in the US or Asia. It doesn't encourage the right behavior and is inconsistent with the Principle of the Directive (recital 37). We have noticed that the criteria CEIOPS advises for assessing equivalence will not be published before early 2010, but it is important for multinational groups to be involved in the drafting of these criteria. See also our comment on 3.96 on the recognition of Internal Model for third Country. We believe that current proposal is too restrictive regarding the choice on consolidation methods. We are on the opinion that companies should be allowed to adopt the consolidation method, based on guidance from supervisory authorities.	same principle shall apply to third countries. See also resolution of comment 551
662.	DIMA (Dublin International Insurance & Management	3.106.	Notwithstanding the fact that the practicalities may be challenging, supervisory authorities should work with the group to ensure that a well-diversified group receives credit for that diversification in the calculation of the SCR.	Noted
663.	European Insurance CFO Forum	3.106.	Supervisors should not have unlimited authority to determine the approach to preparing Group Solvency numbers. The directive makes it clear that the consolidation method is the preferred method of preparing Group Solvency numbers. The CFO Forum supports the directive in the aspect. The consolidation method captures the features of the Group as a whole appropriately and is consistent with internationally recognised accounting GAAPs. The supervisors should not have the unlimited authority to override this preference. However, we envisage that in specific circumstances discussions with the entity concerned may lead to a consensus that there are situations where the aggregation and	Supervisory may only require the use of deduction adn aggregation where the sole use of the consolidation method would be inappropriate

			deduction method is more appropriate. Comments in 3.89 are also relevant here.	
664.	FFSA	3.106.	The risk of non-recognition of diversification benefit in Own Fund for non-EEA entities is a main concern at group level in order to ensure the right behaviour. In the same manner that is key to take into account all the potential sources of risks within a Group, the whole diversification should also be recognized. We consider the supervisor has to provide its best efforts to get to the equivalence of countries outside the EEA. If there is no equivalence, and that the Group supervisor cannot access to the local regulator information, we consider that this should not lead in any case to the automatic application of deduction/aggregation method, or pure deduction. As long as the Group is able to prove the accuracy of data of the undertaking outside EEA, it should be able to include it in its consolidation method, and to get the benefits of diversification effects. Not allowing a Group to recognize the diversification benefits arising from the inclusion of a third country entity solely because the local supervisor in that third country has not provided all the information requested by the Group supervisor would result in penalizing (in a potentially very severe manner) a Group for something for which it is absolutely not responsible.	Noted. The quality of the information is a key issue
665.	German Insurance Association – Gesamtverb and der D	3.106.	We see no justified reason to assume that equivalence is a prerequisite for the recognition of diversification effects. Whether or not a regime is equivalent, it has nothing to do with the question whether risks are diversified, and how risks are to be assessed. It is irrelevant that a regime is not equivalent, as long as it does not hinder the transfer of own funds to an EU undertaking if needed. Level 2 advice should establish clearly what is required for the recognition of diversification benefits from third countries	Noted. This is not the intention as explained in the text CEIOPS does not consider that there will always be restrictions on diversification with third

			entities. The accounting-consolidation method is the default method and it is possible to recognise diversification benefits from third country entities. It should be ensured that a level playing field is established to ensure groups are treated equally with respect to the inclusion of third country entities. It is important that all possible diversification effects are recognised, just as it is important to account for all possible sources of risk within the group. We disagree with CEIOPS' presumption that there will always be restrictions to the recognition of third country diversification effects. We therefore do not see any reason why supervisors may require the application of the deduction aggregation method for the inclusion of third country entities. The benefits of having third country entities within a group should be fully recognised and it should be left to the group to decide which method is best to calculate its group solvency. We believe the requirement to adopt the deduction and aggregation method should be as limited as possible since this would not provide exhaustive information in terms of quantity/quality and comparability among groups compared to the consolidation based method. In situations where the local supervisor does not provide information to the group supervisor, the group should still be able to apply the deduction and aggregation or the accounting-consolidation method as long as it can evidence the reliability of information. The group should then be able to include the non-EEA subsidiary in group own funds and benefit from diversification effects. This comment also applies to 3.109. The accounting consolidation based method is the default method and it better captures the features of the group as a whole and as a single economic unit. Moreover it is manly based on internationally recognized accounting GAAPs which makes the basic elements	coutrIes

			comparable among groups. In particular, considering also CP 58 on Solvency and Financial Condition Report, the accounting-consolidation method would ensure consistent disclosure of capital requirement and risks (market risk, underwriting risk etc.) which would not be the case under the deduction and aggregation method. Moreover there would be transparent and consistent disclosure on diversification effects and transferability of own funds within the group. Therefore, in order to achieve more consistent comparability within financial markets and deeper disclosure on the groups' risk profiles the consolidation based method should be therefore preferred. Also see comments to 3.89.	
666.	Pearl Group Line	3.106.	We disagree with CEIOPS' presumption that there will always be restrictions to the recognition of third country diversification effects. We therefore do not see any reason why supervisors may require the application of the deduction aggregation method for the inclusion of third country entities. The benefits of having third country entities within a group should be fully recognised and it should be left to the group to decide which method is best to calculate its group solvency.	Noted See also resolution of comment 551
667.	ACA – ASSOCIATIO N DES COMPAGNIE S D'ASSURAN CES DU	3.107.	How is it possible to control the quality of the data given by the third country company? On our opinion this kind of subsidiary could present a high level of risk for the group and thus it seems necessary to add some capital requirement for this kind of group.	Noted
668.	Association of British Insurers	3.107.	We welcome CEIOPS efforts in tailoring an approach towards recognition of equivalence and diversification benefit. See also comments under 3.90	Noted
669.	CEA,	3.107.	We welcome Ceiops efforts in tailoring an approach towards	Noted

	ECO-SLV-09-454		recognition of equivalence and diversification benefits. It would be important for the industry to understand the timetable for equivalence decisions and whether there are any top priority countries. See comment to 3.90.	See forthcoming CEIOPS advice on equivalence
670.	European Insurance CFO Forum	3.107.	Further clarification is required as to the methods by which CEIOPS will achieve the recognition of equivalence and keep the insurance industry informed of progress. Further, we recommend that the definition of equivalence is set as soon as possible in level 2 rather than level 3 implementing measures. The CFO Forum recommends that CEIOPS should clarify the methods by which it will achieve the recognition of equivalence and how it will maintain communication with the insurance industry to keep it informed of progress. In addition, CEIOPS should clarify how it will prioritise the countries in which it will look for equivalence. Further, we recommend that the definition of equivalence is set as soon as possible in level 2 rather than level 3 implementing measures.	See forthcoming CEIOPS advice on equivalence
671.	FFSA	3.107.	Is there any planning set by the CEIOPS to achieve the recognition of equivalence? How the Insurance Industry will be informed of the progress? Is there any selection of the top priority countries with which to look for equivalence based on the European Insurance Industry level of participations in these countries?	See forthcoming CEIOPS advice on equivalence
672.			Confidential comment deleted	
673.	German Insurance Association – Gesamtverband der D	3.107.	We welcome CEIOPS efforts in tailoring an approach towards recognition of equivalence and diversification benefits. It would be important for the industry to understand the timetable for equivalence decisions and whether there are any top priority countries. See comment to 3.90.	See forthcoming CEIOPS advice on equivalence

674.	CEA, ECO-SLV-09-454	3.108.	We do not agree that issues concerning third country entities should be assessed in conjunction with the chapter on transferability of capital in the CP. The recognition of eligible own funds for group solvency purposes should not depend on whether or not a third country entity is considered but on a clear criteria for all group entities. Equivalence is not relevant for assessing if own funds of third-countries can be considered as eligible The recognition of eligible own funds for group solvency purpose should not depend on whether or not a third country entity is considered but on clear criteria for all group entities.	Disagree. This is important if third country entity are to be considered in the group calculation.
675.	German Insurance Association – Gesamtverband der D	3.108.	We do not agree that issues concerning third country entities should be assessed in conjunction with the chapter on transferability of capital in the CP. The recognition of eligible own funds for group solvency purposes should not depend on whether or not a third country entity is considered but on a clear criteria for all group entities. Equivalence is not relevant for assessing if own funds of third-countries can be considered as eligible The recognition of eligible own funds for group solvency purpose should not depend on whether or not a third country entity is considered but on clear criteria for all group entities.	Disagree. This is important if third country entity are to be considered in the group calculation.
676.	KPMG ELLP	3.108.	We agree with the comments regarding transferability of capital.	Noted

677.	Association of British Insurers	3.109.	“The group shall be able to demonstrate the availability and quality of the required data and information. This includes the accuracy of the information used to calculate the group SCR. The assessment of the accuracy of data shall be included as part of the supervisory review process” The criteria of availability and quality of data required are unclear. We propose that a reference to the data quality section in CP 56 (Test and Standards for internal Model Approval) is made to ensure consistency of the data requirements. Furthermore, the calculation of a worldwide group SCR on the basis of the European Framework Directive where the major part of the worldwide business is outside the EEA may be very expensive, difficult and time-consuming.	Noted
678.	CEA, ECO-SLV-09-454	3.109.	“The group shall be able to demonstrate the availability and quality of the required data and information. This includes the accuracy of the information used to calculate the group SCR. The assessment of the accuracy of data shall be included as part of the supervisory review process” The criteria of availability and quality of data required are unclear. We propose that a reference to the data quality section in CP 56 (Test and Standards for internal model approval) is made to ensure consistency of the data requirements. Also, as presented in 3.93 or 3.97, the method used to integrate third countries depends on the equivalence of the country. We therefore recommend that the equivalence between countries is disclosed (for example on Ceiops website, or on local supervisor website) for groups to know what options they can choose for their entities in third countries. Moreover we would like this disclosure process to be defined at Level 2.	Noted. See forthcoming CEIOPS advice on equivalence

			See comment to 3.106.	
679.			Confidential comment deleted	
680.	European Insurance CFO Forum	3.109.	The equivalence between countries should be disclosed. CEIOPS proposes that the group should be able to demonstrate availability and quality of the required data related to entities in a third country. However, as set out in 3.93 and 3.97, the method used to integrate third countries depends on whether the country concerned is equivalent. The CFO Forum therefore recommends that the equivalence between countries is disclosed to ensure groups know what options are available in relation to each country. This disclosure process should be defined in level 2.	Noted. See forthcoming CEIOPS advice on equivalence
681.	FFSA	3.109.	CEIOPS proposes that the Group shall be able to demonstrate availability and quality of the required data related to entities in a third country. However, as presented in 3.93 or 3.97, the method used to integrate third countries depends on the equivalence or not of the country. We therefore recommend that the equivalence between countries has to be disclosed (for example on CEIOPS website, or on local supervisor website) for groups to know what options they can choose for there entities in third countries. Moreover we would like this disclosure process to be defined at Level 2. If there is no equivalence, and that the Group supervisor cannot access to the local regulator information, FFSA would like to stress the point that Groups shall not be responsible for the failure of a third country supervisor to provide information requested by a Group supervisor. As such, we consider that this should not lead in any case to the automatic application of deduction/aggregation method, or pure deduction. As long as the Group is able to prove	Noted. See forthcoming CEIOPS advice on equivalence The onus is on group to provide the necessary information at group level

			the accuracy of data of the undertaking outside EEA for which it is responsible, it should be able to include it in its consolidation method, and to get the benefits of diversification effects.	
682.			Confidential comment deleted	
683.	German Insurance Association – Gesamtverband der D	3.109.	"The group shall be able to demonstrate the availability and quality of the required data and information. This includes the accuracy of the information used to calculate the group SCR. The assessment of the accuracy of data shall be included as part of the supervisory review process" The criteria of availability and quality of data required are unclear. We propose that a reference to the data quality section in CP 56 (Test and Standards for internal Model Approval) is made to ensure consistency of the data requirements. Also, as presented in 3.93 or 3.97, the method used to integrate third countries depends on the equivalence of the country. We therefore recommend that the equivalence between countries is disclosed (for example on CEIOPS website, or on local supervisor website) for groups to know what options they can choose for their entities in third countries. Moreover we would like this disclosure process to be defined at Level 2. See comment to 3.106.	Noted. See forthcoming CEIOPS advice on equivalence
684.	Pearl Group Line	3.109.	"The group shall be able to demonstrate the availability and quality of the required data and information. This includes the accuracy of the information used to calculate the group SCR. The assessment of the accuracy of data shall be included as part of the supervisory review process" The criteria of availability and quality of data required are unclear. We propose that a reference to the data quality section in CP 56 (Test and Standards for internal Model Approval) is made to ensure consistency of the data requirements.	Noted

685.	DIMA (Dublin International Insurance & Management	3.110.	Has CEIOPS had preliminary discussions with regulators outside the EU as to how the transferability and confidentiality will be handled? Are discussions underway currently to develop memorandums of understanding?	Noted. See forthcoming CEIOPS advice on equivalence
686.	Association of British Insurers	3.111.	We agree that CEIOPS can play an important role in promoting equivalence decisions.	Noted
687.	CEA, ECO-SLV-09-454	3.111.	Consistency of equivalence decisions taken by Member States or their supervisors is essential rather than desirable. Re-drafting suggestion: Ceiops considers that consistent equivalence decisions among Members states on equivalence are desirable essential. Ceiops should have an arbitration role in equivalence decisions. We suggest that Ceiops plays an arbitrage role in these decisions.	Noted
688.	CRO Forum	3.111.	Regarding third country equivalence, we consider that consistent decisions among Members states should not only be “desirable”, but “mandatory”, since Solvency II applies to all Member States this means that all Member States are making the same comparison and so should reach the same conclusion. Supervisory convergence is required here. We suggest CEIOPS should play an arbitrage role..	Noted
689.	European Insurance CFO Forum	3.111.	The word “desirable” in relation to consistent equivalence decisions should be strengthened. The CFO Forum believes that a stronger expression than “desirable” should be used to achieve a homogeneous equivalence decision.	Noted
690.	FFSA	3.111.	Third country equivalence : To ensure consistent equivalent decisions among Members States	Noted

			on equivalence, FFSA suggests that CEIOPS plays an important and arbitrage role in these decisions. We would prefer a more ambitious stance: there should be consistent equivalence decisions. 'desirable' is a too weak target.	
691.	German Insurance Association – Gesamtverband der D	3.111.	Consistency of equivalence decisions taken by Member States or their supervisors is essential rather than desirable. Re-drafting suggestion: CEIOPS considers that consistent equivalence decisions among Members states on equivalence are desirable essential. CEIOPS should have an arbitration role in equivalence decisions. We suggest that CEIOPS plays an important and arbitrage role in these decisions.	Noted
692.	Investment & Life Assuarnce Group (ILAG)	3.111.	Would suggest that consistent equivalence decisions among MS on equivalence are essential.	Noted
693.	KPMG ELLP	3.111.	Consistent with our questions in 3.104 above, this reinforces the need for consistency of decision making regarding the equivalence status of a non-EEA regulatory regime.	Noted
694.	Association of British Insurers	3.112.	This only appears to be practicable for groups where the ultimate parent undertaking is in the EEA or a single sub-group which is based in the EEA.	For the treatment of group with parent undertaking outside the Community see revised par 3.101 to 3.105
695.			Confidential comment deleted	
696.			Confidential comment deleted	
697.	Groupe Consultatif	3.112.	Level 2 measures should make it less ambiguous that the accounting consolidation-based method is the only method	Noted

			available to compute the overall group eligible elements of own funds. Although the deduction and aggregation method could also serve as a proxy for the amount of group own funds, ensuring that the intra-group creation of capital is eliminated, this method is not as accurate as the accounting consolidation-based one, and furthermore is unable to provide the supervisor with a consolidated prudential balance sheet. On the other hand, a handful of methods is available to compute the group SCR : * the accounting consolidation-based method, with a standard formula applied directly at group level * the accounting consolidation-based method, with an internal model applied directly at group level * the accounting consolidation-based method, with a partial internal model and a standard formula applied directly at group level, depending on the risk modules * the deduction and aggregation method, with a standard formula applied separately at solo level for each entity within the group * the deduction and aggregation method, with an internal model applied separately at solo level for each entity within the group * the deduction and aggregation method, with a combination of standard formula or internal model applied separately at solo level for each entity within the group, depending on the entity / the country * any combination of accounting consolidation-based method for certain entities and deduction and aggregation method for the others We can agree with CEIOPS that the deduction and aggregation method may be easier than the consolidation one in the case of a	See revised text par 3.3.2. and 3.3.33

			group with few subsidiaries and a simple structure. In the case of a group with numerous subsidiaries and different national / sectoral subgroups, the deduction and aggregation method would likely require restatement of so many elements (intra-group transactions, minority interests, etc.) that it would finally prove more straight-forward to use the consolidation method.	
698.	Institut des actuaires (France)	3.112.	Level 2 measures should make it less ambiguous that the accounting consolidation-based method is the only method available to compute the overall group eligible elements of own funds. Although the deduction and aggregation method could also serve as a proxy for the amount of group own funds, ensuring that the intra-group creation of capital is eliminated, this method is not as accurate as the accounting consolidation-based one, and furthermore is unable to provide the supervisor with a consolidated prudential balance sheet. On the other hand, a handful of methods is available to compute the group SCR : * the accounting consolidation-based method, with a standard formula applied directly at group level * the accounting consolidation-based method, with an internal model applied directly at group level * the accounting consolidation-based method, with a partial internal model and a standard formula applied directly at group level, depending on the risk modules * the deduction and aggregation method, with a standard formula applied separately at solo level for each entity within the group * the deduction and aggregation method, with an internal model applied separately at solo level for each entity within the group * the deduction and aggregation method, with a combination of standard formula or internal model applied separately at solo level	Noted See revised text par 3.3.2. and 3.3.33

			for each entity within the group, depending on the entity / the country * any combination of accounting consolidation-based method for certain entities and deduction and aggregation method for the others Institut des Actuaires agrees with CEIOPS that the deduction and aggregation method may be easier than the consolidation one in the case of a group with few subsidiaries and a simple structure. In the case of a group with numerous subsidiaries and different national / sectoral subgroups, the deduction and aggregation method would impose to restate so many elements (intra-group transactions, minority interests, etc.) that it would finally prove more straight-forward to use the consolidation method.	
699.	KPMG ELLP	3.112.	CEIOPS should clarify what is meant by 'consolidated data'. Does this mean the data used as the basis for the composition of the consolidated financial statements or the economic balance sheet on a Solvency II basis? We believe it should be the data used to comprise the latter.	Correct
700.	Milliman	3.112.	The accounting consolidated method assumes that any liability in the group can be met with any asset. This is, as stated in other places in CP60, not economic reality. We strongly recommend quantifying the impact on the group SCR when fungibility gets restricted to, for example, excess capital present in each and every entity.	Noted See par. 3.4.1 on Fungibility and transferability
701.	UNESPA - Spanish Union of Insurance and Rein	3.112.	See comments on 3.158.	See resolution of that comment
702.	Association	3.113.	We believe it is excessively conservative to extend the	As mentioned in the advice the

	of British Insurers		responsibility of the parent undertaking as if it owns the subsidiary at 100%. Only when the parent can be required to make good the whole deficit should this shortfall be included in full. Otherwise, the deficit should be taken into account on a proportionate basis.	provision is laid out in Article 219 of the directive
703.	CEA, ECO-SLV-09-454	3.113.	We believe it is excessively conservative to extend the responsibility of the parent undertaking as if it owns the subsidiary at 100%. The holder of the shares of participation (significant influence) is normally only liable to the value of these shares e.g. this cannot be lower than zero. Thus if a deficit exists it should not be held accountable to the holder of this participation. Only when the holder can be held accountable is it justifiable to include the whole deficit.	As mentioned in the advice the provision is laid out in Article 219 of the directive Noted Consistently with the Level 1 text, the paragraph makes reference to the case where the relevant undertaking is a subsidiary undertaking (and not a participation)
704.	FFSA	3.113.	We believe it is excessively conservative to extend the responsibility of the parent undertaking as if it owns the subsidiary at 100%. Could you precise what will be the criteria to prove a responsibility strictly limited to the share of capital?	See resolution of comment 703 More details will be developed in Level 3 measures
705.			Confidential comment deleted	
706.	German Insurance Association – Gesamtverband der D	3.113.	We believe it is excessively conservative to extend the responsibility of the parent undertaking as if it owns the subsidiary at 100%. The holder of the shares of participation (significant influence) is normally only liable to the value of these shares e.g. this cannot be lower than zero. Thus if a deficit exists it should not be held accountable to the holder of this participation. Only when the holder can be held accountable is it justifiable to include the whole	See resolution of comment 703

			deficit.	
707.	KPMG ELLP	3.113.	This paragraph refers to “an undertaking” in deficit. Article 219 refers only to “a subsidiary undertaking in deficit”. We seek confirmation from CEIOPS that it does not intend to extend this concept to other participations.	Consistently with the Level 1 text, the paragraph makes reference to the case where the relevant undertaking is a subsidiary undertaking (and not a participation)
708.	Royal Bank of Scotland Insurance	3.113.	A parent undertaking should only be required to contribute extra capital up to its share of the subsidiary and not as this paragraph is suggesting.	See resolution of comment 703
709.	Association of British Insurers	3.114.	The assessment by the EEA Group Supervisor set out in this paragraph needs to be undertaken and agreed with firms at an early stage in the implementation of Solvency II.	Noted
710.			Confidential comment deleted	
711.	German Insurance Association – Gesamtverband der D	3.114.	It would be useful for CEIOPS to provide further insights into its thinking around ‘any subsequent tests’ with regards to the transferability of excess capital from 3rd country entities.	See par- 3.195 to 3.202
712.	Milliman	3.114.	As we commented in 3.112 not only the identification but as well the quantification of transferability/fungibility is important.	Noted See par revised par 3.4.1 on fungibility and transferability
713.	Association of British Insurers	3.115.	The consolidation methodology (and especially capital consolidation), by nature, will not divide group own funds into components for individual subsidiaries anymore. Therefore approximations for estimations of the required contributions should be allowed.	Agreed See revised text

714.			Confidential comment deleted	
715.	CEA, ECO-SLV-09-454	3.115.	It is inherent to consolidation methodology (and especially capital consolidation) that group own funds cannot be divided into components for individual subsidiaries anymore. Thus approximations for estimations of the required contributions should be allowed.	Noted
716.	European Insurance CFO Forum	3.115.	The purpose of this paragraph is unclear. A group would always be in a position to identify the contribution of the own funds relating to third country undertaking. Therefore the rationale behind this requirement is not clear.	Noted
717.	FFSA	3.115.	We do not understand in which situation a Group would not be in a position to 'identify' the contribution of the own funds relating to third country undertaking. What is the concern behind this requirement?	Noted
718.	German Insurance Association – Gesamtverband der D	3.115.	It is inherent to consolidation methodology (and especially capital consolidation) that group own funds cannot be divided into components for individual subsidiaries anymore. Thus approximations for estimations of the required contributions should be allowed.	Noted
719.	Munich RE	3.115.	Please note that it is inherent to consolidation methodology (and especially capital consolidation) that group own funds cannot be dissected into components of individual subsidiaries anymore. Thus approximations for estimations of the required contributions should be allowed.	Noted
720.	KPMG ELLP	3.116.	As expressed above, we have reservations about the methodology driving the recognition or otherwise of diversification benefits.	Noted
721.	KPMG ELLP	3.117.	Although this refers to the proportional share in relation to	Noted

			"subscribed capital", there are circumstances where this can give a misleading result (for example in a limited partnership arrangement where the risks and returns do not reside with the main partner). We would welcome CEIOPS clarifying that in certain situations where this is unrepresentative of the economic situation, an alternative approach can be adopted, such as a hybrid calculation basis (as envisaged by paragraph 3.122).	
722.	AMICE	3.118.	More guidance is needed on the computation of group goodwill in the "deduction and aggregation method". Its computation needs a formalized consolidation process and not a simple aggregation of group entities i.e cancelling participations at the holding level and substituting the value of assets and liabilities).	Noted
723.	Association of British Insurers	3.118.	We agree that the deduction aggregation method does not provide for the recognition of diversification effects and this is a significant omission. The alternative method should only be required in limited circumstances. See also comments under 3.106	Noted
724.	CEA, ECO-SLV-09-454	3.118.	We agree that the deduction ad aggregation method does not provide for the recognition of diversification effects and that this is a significant omission. The alternative method should only be required in limited circumstances. The use of the default method is only inappropriate when no adequate information is available and the omission can have a material effect and the transfer of capital is legally impaired between the entities within the group. However it should be assessed that if a significant part of the group is still able to be consolidated based on method 1 that this should be allowed and those legal entities in which the restrictions applied would be subsequently added by means of method 2.	Noted Agreed See revised par 3.125

725.	DIMA (Dublin International Insurance & Management	3.118.	Groups using the deduction and aggregation method should be allowed to propose some method for taking credit for diversification benefits.	The non recognition of diversification benefit when using the D&A method stems from the directive itself
726.	German Insurance Association – Gesamtverband der D	3.118.	We agree that the deduction ad aggregation method does not provide for the recognition of diverisifcation effects and that this is a significant omission. The alternative method should only be required in limited circumstances. The use of the default method is only inappropriate when no adequate information is available and the omission can have a material effect and the transfer of capital is legally impaired between the entities within the group. However it should be assessed that if a significant part of the group is still able to be consolidated based on method 1 that this should be allowed and those legal entities in which the restrictions applied would be subsequently added by means of method 2.	See resolution of comment 724
727.	KPMG ELLP	3.118.	Our comments in relation to para 3.95 are equally relevant here	See resolution of that comment
728.	Pearl Group Line	3.118.	We agree that the deduction aggregation method does not provide for the recognition of diversification effects and this is a significant omission. The alternative method should only be required in limited circumstances.	Noted
729.	ROAM	3.118.	More guidance is needed on the computation of group goodwill in the “deduction and aggregation method”. Its computation needs a formalized consolidation process and not a simple aggregation of group entities i.e. cancelling participations at the top level holding and substituting the value of assets and liabilities.	Noted
730.	CEA,	3.119.	It would be useful to further comment on deduction and	Noted

	ECO-SLV-09-454		aggregation method once Ceiops has released further advice on deduction and aggregation method to take participations into account.	
731.	German Insurance Association – Gesamtverband der D	3.119.	It would be useful to further comment on deduction and aggregation method once CEIOPS has released further advice on deduction and aggregation method to take participations into account.	Noted
732.	Milliman	3.119.	We believe that such advice should as well include guidance on how to treat 'large' intra-group transactions (IGTs) in solo calculations, as the tail dependencies between assets and liabilities might be stronger than in a non-group entity of similar size.	Noted See on treatment of Intra Group Transactions CEIOPS CP 61
733.			Confidential comment deleted	
734.	CEA, ECO-SLV-09-454	3.120.	While we agree that the deduction and aggregation method is less complex, we believe this approach is not appropriate as it does not adequately captures the interrelationships within the group (including contagion effects and diversification).	Noted
735.	European Insurance CFO Forum	3.120.	Comments in 3.127 are also relevant here.	See resolution of that comment
736.	Investment & Life Assuarnce Group (ILAG)	3.120.	It should be recognised that some countries did not prescribe the accounting consolidation method (e.g. UK) and therefore headquartered in that MS will have to apply a method they are not familiar with.	Noted
737.	Pearl Group Line	3.120.	Whilst we agree that the deduction and aggregation method might be less complex, we believe this approach is not appropriate as it does not adequately captures the interrelationships within the group (including contagion effects and diversification).	Noted

738.	Association of British Insurers	3.121.	See comments under 3.4 and 3.127	See resolution of that comment
739.			Confidential comment deleted	
740.	CEA, ECO-SLV-09-454	3.121.	The calculation of group solvency shall be carried out according to the accounting consolidation-based method. Where the exclusive application of this method would not be "appropriate", group supervisors in consultation with the supervisors concerned, should be allowed to apply the deduction and aggregation method. Level 2 should provide additional guidance as to when 'exclusive application of method 1 would not be appropriate'. A level playing field should be ensured by defining principles at level 2; further guidance can be given at level 3. See comment to 3.118.	Noted
741.	FFSA	3.121.	Could you precise in which cases method 1 ou 2 could not be appropriate? For example for regulated financial entities (cf. 3.42)?	The criteria that the group supervisor should assess are mentioned in par 3.125 (the list is not a close list)
742.	CEA, ECO-SLV-09-454	3.122.	This gives broad discretion to supervisors and may not ensure consistency in approach, unless some framework is provided at Level 2.	As mentioned in par 3.116 further criteria will be developed in Level 3 measures
743.			Confidential comment deleted	
744.			Confidential comment deleted	
745.	Association of British Insurers	3.123.	Whilst we agree that the deduction and aggregation method might be less complex, we believe this approach is not appropriate as it does not adequately capture the interrelationships within the group.	Noted
746.			Confidential comment deleted	

747.	CEA, ECO-SLV-09-454	3.123.	This paragraph implies that the supervisory preference is for the alternative method. This would appear contrary to the preference for the accounting consolidation method set out in the Level 1 text.	This was not the intention of the paragraph. See revised text for further clarification
748.	KPMG ELLP	3.123.	We note the comment that "Method 2 is often a prudent approach". The lack of recognition of diversification benefits would be one factor that makes it prudent. However, Solvency II seeks to assess (re)insurance undertakings and groups on an economic basis, not a prudent one. We are therefore concerned that the examples provided in 3.125 should not drive supervisors to seek to apply the D&A approach unless the accounting consolidation approach is felt to present a misleading picture of the group solvency position. Our comments in 3.116 and 3.117 are also relevant here.	See resolution of comment 747
749.			Confidential comment deleted	
750.	CEA, ECO-SLV-09-454	3.124.	See comment to 3.123.	See resolution of that comment
751.	KPMG ELLP	3.124.	A significant number of EEA groups have multiple non-EEA subsidiaries/participations. The inference here is that such groups, if they are not using an internal model to determine their group SCR, will be required to adopt the D&A approach. This is likely to lead to more onerous data requirements than the accounting consolidation method, due to materiality considerations. Such groups have often invested in such a way specifically to diversify their insurance risk, so it seems disproportionate to penalise them through application of this method, given CEIOPS currently believes no allowance for diversification benefits can be made under this approach. Unless a better solution is found, enabling the diversification benefits to be counted, this could lead groups to	Noted See revised text

			consider alternative business models. See also 3.127	
752.	UNESPA - Spanish Union of Insurance and Rein	3.124.	As drafted, this paragraph seems to imply that European groups that make investments in third countries will not be able to recognise the diversification benefits arising thereof. CEIOPS should take into account the fact that investments outside of the EEA truly improve the diversification of EU-based insurers or insurance group as they increase the exposure to economies with cycles unrelated to those of the EU. Hence, the prudence, simplicity and transparency of the deduction and aggregation method do not seem to be strong enough reasons to deprive groups with subsidiaries in third countries from material diversification benefits.	Noted See revised text
753.	Association of British Insurers	3.125.	Further guidance (in both Level 2 measures and Level 3 guidance) on the implications of such an assessment for firms will be essential. We would encourage the group supervisor also to consult the group on its assessment and whether their assessment is consistent with the perception of management. See also comments under 3.128.	Noted See revised text
754.	CEA, ECO-SLV-09-454	3.125.	Further guidance (in both Level 2 measures and Level 3 guidance) on the implications of such an assessment for firms will be essential. We would encourage the group supervisor also to consult the group on its assessment and whether their assessment is consistent with the perception of management. See also comment to 3.128.	Noted See revised text
755.			Confidential comment deleted	
756.	KPMG ELLP	3.125.	See 3.123	See resolution of that comment
757.	Solvency II	3.125.	A number of factors are suggested in this paragraph which should	Noted

	Legal Group This response reflects the		be taken into account in determining whether method 2 might be more appropriate than method 1. However, the paper indicates that the criteria for departure from method 1 should be dealt with in further detail in level 3 guidance (paragraph 3.126). We consider that it would be desirable to have greater clarity at an early stage on the circumstances in which a departure from method 1 is likely to be required. Leaving the matter to level 3 measures will mean that firms will face significant uncertainty in planning for the implementation of the Solvency II Directive.	
758.	AAS BALTA	3.126.	We consider that the choice of applying either method 1 or 2 could have a substantial impact on the group solvency calculation. We are therefore concerned that the guidance provided to group supervisors to assist them with making this decision will be Level 3. We would prefer that this guidance is included at Level 2 in order to maintain a level playing field.	Noted
759.	AB Lietuvos draudimas	3.126.	We consider that the choice of applying either method 1 or 2 could have a substantial impact on the group solvency calculation. We are therefore concerned that the guidance provided to group supervisors to assist them with making this decision will be Level 3. We would prefer that this guidance is included at Level 2 in order to maintain a level playing field.	Noted
760.	Association of British Insurers	3.126.	This needs to be further developed at Level 2. Too much freedom for supervisors to require the use of the deduction-aggregation method could foster a conflict of interests on the side of supervisors and penalise insurers.	Noted
761.			Confidential comment deleted	
762.	CEA, ECO-SLV-09-454	3.126.	This needs to be further developed at Level 2. Too much freedom for supervisors to require the use of the deduction-aggregation method, which is easier to verify, could foster a conflict of interests on the side of supervisors and penalise	Noted

			insurers (no group diversification).	
763.	DENMARK: Codan Forsikring A/S (10529638)	3.126.	We consider that the choice of applying either method 1 or 2 could have a substantial impact on the group solvency calculation. We are therefore concerned that the guidance provided to group supervisors to assist them with making this decision will be Level 3. We would prefer that this guidance is included at Level 2 in order to maintain a level playing field.	See resolution of comment 757
764.	German Insurance Association – Gesamtverband der D	3.126.	This needs to be further developed at Level 2. Too much freedom for supervisors to require the use of the deduction-aggregation method, which is easier to verify, could foster a conflict of interests on the side of supervisors and penalise insurers (no group diversification).	See resolution of comment 762
765.	Investment & Life Assuarnce Group (ILAG)	3.126.	Would agree that such further guidance is essential.	Noted
766.	KPMG ELLP	3.126.	We agree that further guidance is required.	Noted
767.	Link4 Towarzystwo Ubezpieczeń SA	3.126.	We consider that the choice of applying either method 1 or 2 could have a substantial impact on the group solvency calculation. We are therefore concerned that the guidance provided to group supervisors to assist them with making this decision will be Level 3. We would prefer that this guidance is included at Level 2 in order to maintain a level playing field.	See resolution of comment 757
768.	NORWAY: Codan Forsikring (Branch Norway)	3.126.	We consider that the choice of applying either method 1 or 2 could have a substantial impact on the group solvency calculation. We are therefore concerned that the guidance provided to group supervisors to assist them with making this decision will be Level 3. We would prefer that this guidance is included at Level 2 in order to	See resolution of comment 757

	(991 502		maintain a level playing field.	
769.	RSA Insurance Group PLC	3.126.	We consider that the choice of applying either method 1 or 2 could have a substantial impact on the group solvency calculation. We are therefore concerned that the guidance provided to group supervisors to assist them with making this decision will be Level 3. We would prefer that this guidance is included at Level 2 in order to maintain a level playing field.	See resolution of comment 757
770.	RSA Insurance Ireland Ltd	3.126.	We consider that the choice of applying either method 1 or 2 could have a substantial impact on the group solvency calculation. We are therefore concerned that the guidance provided to group supervisors to assist them with making this decision will be Level 3. We would prefer that this guidance is included at Level 2 in order to maintain a level playing field.	See resolution of comment 757
771.	RSA - Sun Insurance Office Ltd.	3.126.	We consider that the choice of applying either method 1 or 2 could have a substantial impact on the group solvency calculation. We are therefore concerned that the guidance provided to group supervisors to assist them with making this decision will be Level 3. We would prefer that this guidance is included at Level 2 in order to maintain a level playing field.	See resolution of comment 757
772.			Confidential comment deleted	
773.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.126.	We consider that the choice of applying either method 1 or 2 could have a substantial impact on the group solvency calculation. We are therefore concerned that the guidance provided to group supervisors to assist them with making this decision will be Level 3. We would prefer that this guidance is included at Level 2 in order to maintain a level playing field.	See resolution of comment 757
774.	UNESPA - Spanish Union of Insurance	3.126.	The solvency group assessment principles and calculation methods should be established at Level 2 to assure the harmonization in these issues CEIOPS notes that it is desirable a greater level of detail to be	See resolution of comment 757

	and Rein		provided at Level 3, in relation to the application of the different SCR group calculation methods. However, we believe that they should be better defined and harmonized at European level, (Level 2).	
775.	Association of British Insurers	3.127.	We are concerned that CEIOPS may be giving preference to the deduction aggregation method for the calculation of group solvency which is not in the intention of Article 218 (2) where the accounting consolidation based method is considered as the default method for the calculation of group solvency. It is therefore our view that firms should not be discouraged to use this approach which best captures the risk profile of the group. The deduction aggregation method, on the other hand, should only be used in limited circumstances and should primarily be at the discretion of the group.	CEIOPS acknolowledges that the accounting-consolidation approach is the default method. See revised text for further clarification
776.			Confidential comment deleted	
777.	CEA, ECO-SLV-09-454	3.127.	This paragraph seems to suggest reversing the preference for the accounting consolidation-based method (Method 1) towards the deduction and aggregation method (Method 2). This would not be in line with Article 218 of the Level 1 text. We would ask for the following to be added at the beginning of 3.127: “Ceiops acknowledges that according to the Level 1 the accounting-consolidation approach is the default method (Article 218 (2) 1st paragraph). However, …”. The assessment that the deduction and aggregation method can be a transparent approach for calculation group solvency is one-sided. For instance, concentration risks are not captured in this method. Using the deduction and aggregation method would force groups to distribute risks more equally within the group in order to reduce the sum of solo capital requirements through increased diversification benefits within the solo entities which then increases number and complexity of intra-group transactions. We suggest deleting this	CEIOPS acknolowledges that the accounting-consolidation approach is the default method. Agreed See revised text

			paragraph. We strongly recommend that groups are looked at in their entirety which is corresponding to the consolidated accounting group. Separate analyses of sub-groups poses undue burden to big insurance groups. In addition, we would like to stress that the accounting-consolidation method requires the calculation of the group SCR according to the deduction and aggregation method whenever non-fungible solo own funds are present. For the determination of the diversification benefit to adjust the contribution to group SCR from solo entities, the solo SCRs have to be adjusted by risks originating from participations as otherwise the formula in 3.143 does not represent a diversification adjustment (comment to 3.143). This requires conducting the deduction and aggregation method. This already provides additional information that could be interpreted as improved transparency. See comments to 3.118, 3.121, 3.123, 3.128 and 3.143.	The chapter on fungibility and transferability deals with the eligible group own funds and not with the calculation of the group SCR and the recognition of diversification benefit See resolution of that comment
778.	CRO Forum	3.127.	While we agree that the “deduction and aggregation” method is less complex than the standard “accounting consolidation-based” method, we believe this approach is less appropriate as it does not adequately captures the interrelationships within the group, especially for diversification. As expressed above, we recommend that groups are looked at in their entirety which is corresponding to the consolidated accounting group. The accounting consolidation-based method should be considered as the standard method as mentioned in the Level 1 text and clear criteria should be established that would justify a deviation from this method. But for large global insurers with presence in an array of non-EEA regions it is important that there is flexibility to formulate a process that allows for an efficient management and reporting of a risk in a timely manner for their group.	Noted See revised text Noted

			We disagree with the view of allowing supervisors authorities to dictate the consolidation methods. We are of the opinion that their decision on equivalence will be sufficient to guide consolidation methods available to the (re)insurance groups. CRO Forum would like to highlight this as yet another key reason why it is important that CEIOPS take a position on equivalent regimes so (re)insurance undertakings can factor that into their Solvency II implementation plan going forward.	Noted CEIOPS will provide general advice on equivalence in March 2010 and advice on individual third country regimes
779.	DIMA (Dublin International Insurance & Management	3.127.	The fact that the deduction and aggregation method is transparent is not in itself a good enough reason to choose it over the consolidated method which will give a truer picture.	Noted See revised text
780.	European Insurance CFO Forum	3.127.	Due consideration should be given to the most appropriate approach by which to assess the group SCR and own funds. Any “last minute” changes requested by supervisors will have practical implications. The guidance appears to suggest that supervisors may require the use of the deduction and aggregation approach, by default, without having regard whether this approach is more appropriate than others. Giving supervisors the power to make “last minute” changes will lead to practical problems in terms of running those changes. The CFO Forum recommends that due consideration is given to the most appropriate approach to assess the group SCR and own funds.	Noted See revised text

			Supervisors should not be given powers to make changes at a late stage in the process unless appropriate measures are also in place regarding the timetable by which companies can action these changes.	
781.	FFSA	3.127.	The accounting-consolidation method is the default method in the Level 1 text and the deduction and aggregation method should not be used to circumvent the recognition of diversification effects via the consolidation method. This paragraph seems to suggest to reverse the preference for the accounting consolidation-based method (Method 1) towards the deduction and aggregation method (Method 2). This would not be in line with Article 218 of the Level 1 text. The assessment that the deduction and aggregation method can be a transparent approach for calculation group solvency is one-sided. For instance, concentration risks are not captured in this method such that transparency is reduced. Using the deduction and aggregation method would force groups to distribute risks more equally within the group in order to reduce the sum of solo capital requirements through increased diversification benefits within the solo entities which then increases number and complexity of intra-group transactions. We suggest deleting this paragraph. We strongly recommend that groups are looked at in their entirety which is corresponding to the consolidated accounting group. Separate analyses of sub-groups poses undue burden to big insurance groups. In addition, we would like to stress that the accounting-consolidation method requires the calculation of the group SCR according to the deduction and aggregation method whenever non-fungible solo own funds are present. For the determination of the diversification benefit to adjust the contribution to group SCR from solo entities, the solo SCRs have to be adjusted by risks originating	See resolution of comment 777

			from participations as otherwise the formula in 3.143 does not represent a diversification adjustment (comment to 3.143). This requires conducting the deduction and aggregation method. This already provides additionally information that could be interpreted as improved transparency.	
782.			Confidential comment deleted	
783.	German Insurance Association – Gesamtverb and der D	3.127.	This paragraph seems to suggest reversing the preference for the accounting consolidation-based method (Method 1) towards the deduction and aggregation method (Method 2). This would not be in line with Article 218 of the Level 1 text. We would ask for the following to be added at the beginning of 3.127: "CEIOPS acknowledges that according to the Level 1 the accounting-consolidation approach is the default method (Article 218 (2) 1st paragraph). However, …". The assessment that the deduction and aggregation method can be a transparent approach for calculation group solvency is one-sided. For instance, concentration risks are not captured in this method. Using the deduction and aggregation method would force groups to distribute risks more equally within the group in order to reduce the sum of solo capital requirements through increased diversification benefits within the solo entities which then increases number and complexity of intra-group transactions. We suggest deleting this paragraph. We strongly recommend that groups are looked at in their entirety which is corresponding to the consolidated accounting group. Separate analyses of sub-groups poses undue burden to big insurance groups. In addition, we would like to stress that the accounting-consolidation method requires the calculation of the group SCR according to the deduction and aggregation method whenever non-fungible solo own funds are present. For the determination of the	See resolution of comment 777

			diversification benefit to adjust the contribution to group SCR from solo entities, the solo SCRs have to be adjusted by risks originating from participations as otherwise the formula in 3.143 does not represent a diversification adjustment (comment to 3.143). This requires conducting the deduction and aggregation method. This already provides additional information that could be interpreted as improved transparency. See comments to 3.118, 3.121, 3.123, 3.128 and 3.143.	
784.	Groupe Consultatif	3.127.	According to level 1 Member States shall allow their supervisory authorities, where they assume the role of the group supervisor, to decide in consultation with the supervisory authorities concerned, to apply the deduction and aggregation method (Method 2) or a combination of both methods, "where the exclusive application of method 1 would not be appropriate." We believe that only in exceptional circumstances supervisory authorities should impose the application of method 2 ("deduction and aggregation"). CEIOPS leaves it rather vague under which circumstances this should happen and we would welcome the development of clear guidance and principle based criteria to avoid inconsistent use of this option. CEIOPS should note that deduction and aggregation may give supervisors more comfort on some issues but by denying recognition of diversification totally denies any transparency on the economic reality.	Noted See revised text
785.	KPMG ELLP	3.127.	The statement that the D&A approach can be transparent in dealing with group solvency could be taken to imply that CEIOPS has a preference for this approach. We concur with the view that it is more transparent but there is a risk that supervisors will take this advice, along with the guidance in para 3.128 to mean that, despite	Noted See revised text

			the accounting consolidation method being a default method, there are several occasions where the aggregation and deduction approach would be required to be used. As we have stated in 3.95 to 3.118, we do not believe it is not equitable that only the accounting consolidation approach should recognise diversification benefits. This could mean that two groups with essentially the same risk profile but one with a more complex group structure could have different Groups SCRs and group solvency positions, the difference being the lack of diversification benefits which would effectively become a de facto capital charge on the group for Group Risk. We do not believe this is a proportionate response. See 3.124 also	The non recognition of diversification when using the D&A is a consequence of the method of calculation as laid out in the Level 1 text
786.	Munich RE	3.127.	Although, this paragraph does not contain an advice in a narrower sense, it seems to suggest to reverse the preference for the accounting consolidation-based method (Method 1) towards the deduction and aggregation method (Method 2). This would not be in line with Article 218 of the Level 1 text. The assessment that the deduction and aggregation method can be a transparent approach for calculation group solvency is one-sided. For instance, concentration risks are not captured in this method such that transparency is reduced. Additionally, this paragraph is suggestive of the deduction and aggregation method being an exclusive alternative to the accounting consolidation-based method. This is not the case as the deduction and aggregation method has to be conducted: For the determination of the diversification benefit to adjust the contribution to group SCR from solo entities, the solo SCRs have to be adjusted by risks originating from participations as otherwise the formula in 3.143 does not represent a diversification adjustment (cf. comment to 3.143). This requires conducting the deduction and aggregation method. This already provides additionally information that could be interpreted as improved transparency. Using the deduction and aggregation method would	See resolution of comment 777

			force groups to distribute risks more equally within the group in order to reduce the sum of solo capital requirements through increased diversification benefits within the solo entities which then increases number and complexity of intra-group transactions. We suggest to delete this paragraph. We strongly recommend that groups are looked at in their entirety which is corresponding to the consolidated accounting group. Separate analyses of sub-groups poses undue burden to big insurance groups.	
787.	Pearl Group Line	3.127.	We are concerned that CEIOPS may be giving preference to the deduction aggregation method for the calculation of group solvency which is not in the intention of Article 218 (2) where the accounting consolidation based method is considered as the default method for the calculation of group solvency. It is therefore our view that firms should not be discouraged to use this approach which best captures the risk profile of the group. The deduction aggregation method, on the other hand, should only be used in very limited circumstances.	See resolution of comment 777
788.	Royal Bank of Scotland Insurance	3.127.	It appears that CIEOPS is showing preference to the deduction and aggregation method. It is our understanding that the Level 1 text states that the consolidation method is the default method.	See resolution of comment 777
789.	UNESPA - Spanish Union of Insurance and Rein	3.127.	Further details are needed to support the circumstances in which the accounting consolidation method is not applicable and the impacts that other methods will have in the current insurance groups. Additionally, in relation with the different methods to apply for the calculation of the group solvency margin, the Article 218 establishes, that the accounting consolidation method will be applied by default, unless the group supervisor requires the use of the deduction and aggregation method or a combination of both, nevertheless CEIOPS leaves for Level 3 (see 3.126), the development of a guide which will detail the reasons, to promote the selection of one method or the other, or the combination of	See resolution of comment 777

			both. This may generate uncertainty given that the results obtained, related to diversification benefits versus available group own funds, may be different depending on the application of one method or another.	The non recognition of diversification when using the D&A is a consequence of the method of calculation as laid down in the Level 1 text
790.	Association of British Insurers	3.128.	When deciding to apply the deduction aggregation method or a combination of the consolidation method and the deduction aggregation method, we believe the group supervisor should not only consult other supervisory authorities concerned, it should discuss the possible approaches envisaged with the group itself. The complexity of the group structure should not be among the criteria determining which group calculation method is more appropriate. Using the deduction and aggregation method would force groups to distribute risks more equally within the group in order to reduce the sum of solo capital requirements through increased diversification benefits within the solo entities which then increases number and complexity of intra-group transactions.	Agreed See revised text See resolution of comment 777
791.	CEA, ECO-SLV-09-454	3.128.	The accounting consolidation-based method is considered as the default method as mentioned in the Level 1 text and clear criteria should be established that would justify a deviation from this method. The assessment outlined in 3.128 should also include the appropriateness of using an approach other than the default approach. When deciding to apply the deduction and aggregation method or a combination of the consolidation method and the deduction aggregation method, we believe the group supervisor should not only consult other supervisory authorities concerned, it should discuss the possible approaches envisaged with the group itself. In case the supervisor disagrees with the method the	See resolution of comment 777 Agreed. See revised text The element mentioned should be assessed only when relevant

			undertaking would like to apply, the disagreement should be fully documented by the supervisor and rationale should be given in writing. We propose to have the following re-drafting of this advice: "When making a decision pursuant to article 218(2), the group supervisor, after consultation with the other supervisors concerned and the group itself, shall assess, in particular if applicable:". The point on internal models will not be relevant for groups which do not have an approved internal model. We do not believe that complexity of the group structure should be among the criteria determining which group calculation method is more appropriate. Using the deduction and aggregation method would force groups to distribute risks more equally within the group in order to reduce the sum of solo capital requirements through increased diversification benefits within the solo entities which then increases number and complexity of intra-group transactions. See comment to 3.125. It is important to ensure consistency in the application of the method for calculating the group solvency. This is important for legal certainty. We would therefore like the following sentence to be added to 3.128: "3.128a. The decision of the group supervisor according to Article 218(2) shall be applied in a consistent manner over time."	Agreed See revised text Noted Agreed See revised text
792.	CRO Forum	3.128.	We don't believe that complexity of the group structure should be category that could indicate what group calculation method is more appropriate. Using the deduction and aggregation method would force groups to distribute risks more equally within the group in order to reduce the sum of solo capital requirements through increased diversification benefits within the solo entities which then	Agreed See revised text

			increases number and complexity of intra-group transactions. In addition, we believe the assessment should also include the lack of insight on group risk profile under "deduction and aggregation" approach instead of the standard "accounting consolidation-based" method.	
793.	DIMA (Dublin International Insurance & Management	3.128.	More advice will be needed in Level 3 on these issues.	Noted
794.	European Insurance CFO Forum	3.128.	Comments in 3.127 are also relevant here.	See resolution of that comment
795.	FFSA	3.128.	FFSA considers that the participating undertaking should not have to justify a deduction aggregated method, since it seems less favourable than the standard formula or internal model. In case supervisor disagrees with the application of this method, it should be fully documented and rationale should be given in writing.	As stated in the directive the consolidated method is the default method and the D&A method can be used only when the default method is not appropriate
796.			Confidential comment deleted	
797.	German Insurance Association – Gesamtverb and der D	3.128.	The accounting consolidation-based method is considered as the default method as mentioned in the Level 1 text and clear criteria should be established that would justify a deviation from this method. The assessment outlined in 3.128 should also include the appropriateness of using an approach other than the default approach. When deciding to apply the deduction and aggregation method or a combination of the consolidation method and the deduction aggregation method, we believe the group supervisor	See resolution of comment 791

			should not only consult other supervisory authorities concerned, it should discuss the possible approaches envisaged with the group itself. In case the supervisor disagrees with the method the undertaking would like to apply, the disagreement should be fully documented by the supervisor and rationale should be given in writing. We propose to have the following re-drafting of this advice: "When making a decision prusuant to article 218(2), the group supervisor, after consultation with the other supervisors concerned and the group itself, shall assess, in particular if applicable:". The point on internal models will not be relevant for groups which do not have an approved internal model. We do not believe that complexity of the group structure should be among the criteria determining which group calculation method is more appropriate. Using the deduction and aggregation method would force groups to distribute risks more equally within the group in order to reduce the sum of solo capital requirements through increased diversification benefits within the solo entities which then increases number and complexity of intra-group transactions. See comment to 3.125. It is important to ensure consistency in the application of the method for calculating the group solvency. This is important for legal certainty. We would therefore like the following sentence to be added to 3.128: "3.128a. The decision of the group supervisor according to Article 218(2) shall be applied in a consistent manner over time."	
798.	Munich RE	3.128.	We don't believe that complexity of the group structure should be category that could indicate what group calculation method is more appropriate. Using the deduction and aggregation method would	See resolution of comment 791

			force groups to distribute risks more equally within the group in order to reduce the sum of solo capital requirements through increased diversification benefits within the solo entities which then increases number and complexity of intra-group transactions. It should be assured that the accounting consolidation-based method is considered as the standard method as mentioned in the Level 1 text and clear criteria should be established that would justify a deviation from this method.	
799.	Pearl Group Line	3.128.	When deciding to apply the deduction aggregation method or a combination of the consolidation method and the deduction aggregation method, we believe the group supervisor should not only consult other supervisory authorities concerned, it should discuss the possible approaches envisaged with the group itself. The complexity of the group structure should not be among the criteria determining which group calculation method is more appropriate. Using the deduction and aggregation method would force groups to distribute risks more equally within the group in order to reduce the sum of solo capital requirements through increased diversification benefits within the solo entities which then increases number and complexity of intra-group transactions.	See resolution of comment 791
800.	Association of British Insurers	3.130.	The Solvency II framework is clearly more risk based than the current framework and legal and prudential constraints developed in the current framework may no longer be relevant. In a harmonised EU market there should not be unduly restrictions.	Disagree (not in line with article 220.3)
801.	CEA, ECO-SLV-09-454	3.130.	First we note that the constraints mentioned should refer to the transferability and fungibility of own funds. Secondly, while we understand legal and prudential constraints are part of the current (Solvency I) framework, we believe these constraints may need to be reviewed when Solvency II is implemented. The Solvency II	Disagree

			framework is clearly more risk based than the current framework and legal and prudential constraints developed in the current framework may no longer be relevant. In a harmonised EU market there should not be unduly restrictions.	
802.			Confidential comment deleted	
803.	European Insurance CFO Forum	3.130.	The Solvency I constraints should be reviewed at the implementation of Solvency II. The CFO Forum notes that the constraints as mentioned should refer to the transferability of the funds. Furthermore, while we recognise the legal and prudential constraints as part of the current Solvency I framework, we believe these constraints may need to be reviewed upon the implementation of Solvency II. The Solvency II framework is clearly more risk based than the current framework and legal and prudential constraints developed in the current framework may no longer be required.	Disagree
804.	Investment & Life Assuarnce Group (ILAG)	3.130.	This paragraph appears to intimate that there can be an element of group support. However it may be that it is only where there are deficits in entities that this applies? Further clarity would be helpful in this regard.	Noted (see CP)
805.	Royal Bank of Scotland Insurance	3.130.	In a European open market, there shouldn't be any restrictions in using excess own funds in one territory to compensate fund shortage in another.	Disagree
806.	CEA, ECO-SLV-09-454	3.131.	Ceiops needs to consider in more detail degrees of stress which will affect the 'true mobility' of excess capital. The Solvency II regime needs to adequately reflect both 'normal times' and 'stress times'.	Disagree
807.	KPMG ELLP	3.131.	We agree that the fungibility of Own Funds is key in determining the extent to which diversification benefits can be realised	Noted

808.	KPMG ELLP	3.132.	We agree that Own Funds subject to such situations should be treated as restricted for coverage of the Group SCR	Noted
809.	Association of British Insurers	3.133.	These paragraphs seem to deny any use of the consolidation process. The group eligible own funds seem to be 'de-consolidated' to become the addition of solo SCRs: any solo excess of own funds over SCR would not be considered at the group level. Do consolidation restatements have to be broken down by entities so that to use part of the above-referred excess when they have a decreasing impact on the group own funds? This seems very complex and in contradiction with the principle of a consolidation. See also our comment on paragraph 3.136.	Disagree
810.			Confidential comment deleted	
811.	CEA, ECO-SLV-09-454	3.133.	The transferability of excess capital should be assessed before performing the calculations in order to avoid unnecessary burden during the Group Solvency Assessment. These paragraphs seem to deny any use of the consolidation process. The group eligible own funds seem to be 'de-consolidated' to become the addition of solo SCRs: any solo excess of own funds over SCR would not be considered at the group level. Do consolidation restatements have to be broken down by entities so that to use part of the above-referred excess when they have a decreasing impact on the group own funds? This seems very complex and in contradiction with the principle of a consolidation. See also our comment on paragraph 3.136.	Disagree
812.	European Insurance CFO Forum	3.133.	It is unclear whether the group solvency coverage ratios are to be calculated before or after allowance for fungibility. The guidance should be reworded to clarify that the overall group solvency coverage ratios are based on own funds increased to the extent that funds from one entity can be used to absorb losses arising in another entity within the same group. However, the	Noted/Disagree

			evaluation of the SCR is always before fungibility of capital. This view is also supported by the CRO Forum. This paragraph contradicts the principles of consolidation. This paragraph requires any solo excess of own funds over SCR to not be considered at the group level. This defeats the purpose of the consolidation process. The CFO Forum suggests that CEIOPS clarify whether consolidation restatements have to be broken down by entity. This would be a very complex process and again, would contradict the principles of consolidation.	
813.	FFSA	3.133.	Availability of funds The transferability of excess capital should be assessed before performing the calculations, hence avoiding unnecessary burden during the Group Solvency Assessment. FFSA considers that the CEIOPS or the group supervisor shall prescribe a detailed list of available funds per country (fungible and available) per EEA country, in order to ease and accelerate the process. A second option would be a simplified process in which the undertaking would send a list of available funds per country to the supervisor to give a pre-approval. The group supervisor should also assess whether there is an issue related to transferability of capital. This could be conclusive in determining the calculation method. These paragraphs turn out to deny any use in the consolidation process. The group eligible own funds seem to be ‘de-consolidated’ to become the addition of solo SCRs: any solo excess of own funds over SCR would not be considered at the Group level. See also our comment on paragraph 3.136. Do consolidation restatements have to be broken down by entities	Noted/disagree

			so that to use part of the above-referred excess when they have a decreasing impact on the Group own fund? This seems awfully complex and again, in contradiction with the principle of a consolidation.	
814.	German Insurance Association – Gesamtverb and der D	3.133.	The calculation of own funds needs to be clarified. The transferability of excess capital should be assessed before performing the calculations in order to avoid unnecessary burden during the Group Solvency Assessment. These paragraphs seem to deny any use of the consolidation process. The group eligible own funds seem to be 'de-consolidated' to become the addition of solo SCRs: any solo excess of own funds over SCR would not be considered at the group level. Do consolidation restatements have to be broken down by entities so that to use part of the above-referred excess when they have a decreasing impact on the group own funds? This seems very complex and in contradiction with the principle of a consolidation. See also our comment on paragraph 3.136.	Noted/disagree
815.	Pearl Group Line	3.133.	These paragraphs seem to deny any use of the consolidation process. The group eligible own funds seem to be 'de-consolidated' to become the addition of solo SCRs: any solo excess of own funds over SCR would not be considered at the group level. Do consolidation restatements have to be broken down by entities so that to use part of the above-referred excess when they have a decreasing impact on the group own funds? This seems very complex and in contradiction with the principle of a consolidation. See also our comment on paragraph 3.136.	Noted/disagree
816.	Association of British Insurers	3.134.	The focus should be on the value of own funds and ability to meet claims as they fall due not on the liquidity. Bearing in mind the economic approach underlying Solvency II, where deficits and surpluses reflect the economic valuation of	Noted . See revised text

			assets and liabilities, with reference to the characteristics of the own funds we think it is important to focus on their value and ability to meet liabilities as they fall due possibly over a long horizon. We do not think it appropriate impose requirements based on their liquidity: liquidity is another subject.	
817.	CEA, ECO-SLV-09-454	3.134.	The focus should be on the convertibility of own funds and not on the liquidity. Bearing in mind the economic approach underlying Solvency II, where deficits and surpluses reflect the economic valuation of assets and liabilities, with reference to the characteristics of the own funds we think it is important to focus on their convertibility (i.e. the quality of being exchangeable into cash so that even in the worst case scenario sufficient - convertible - assets remain to transfer the liability to another party), while we do not think it appropriate impose requirements based on their liquidity.	Noted. See revised text
818.	CRO Forum	3.134.	One of the factors set by CEIOPS for assessment of availability of group own funds states that "the liquidity/convertibility of own funds within an entity into cash outside the entity .." This requirement appears to be impractical because in most cases funds are moved around the group in cashless form. We suggest that this bullet is removed from the advice.	Agreed. See revised text
819.	European Insurance CFO Forum	3.134.	Comments in 3.133 are also relevant here.	Noted
820.	German Insurance Association – Gesamtverband der D	3.134.	More details are required on the factors that should be analysed for the assessment of own funds. We think more details on the factors listed in 3.134 are required at Level 2.	Noted/Agreed See revised text

			The focus should be on the convertibility of own funds and not on the liquidity. Bearing in mind the economic approach underlying Solvency II, where deficits and surpluses reflect the economic valuation of assets and liabilities, with reference to the characteristics of the own funds we think it is important to focus on their convertibility (i.e. the quality of being exchangeable into cash so that even in the worst case scenario sufficient - convertible - assets remain to transfer the liability to another party), while we do not think it appropriate impose requirements based on their liquidity.	
821.	Groupe Consultatif	3.134.	Bullet 4 confuses the ability to turn own funds into cash outside the entity with their ability to support liabilities as they fall due.	Noted. See revised text
822.	UNESPA - Spanish Union of Insurance and Rein	3.134.	See comments on 3.193.	Noted
823.	CEA, ECO-SLV-09-454	3.135.	Fungibility and transferability are highly complex concepts which may already be embedded to a degree in national requirements. In order to ensure consistency, a clear definition of both fungibility and transferability is required at Level 2. See comment on 3.137.	Noted
824.	European Insurance CFO Forum	3.135.	Comments in 3.133 are also relevant here.	Noted
825.	Association of British Insurers	3.136.	We suggest that transferability and fungibility issues are not taken into account at group level. We disagree with the presentation of group solvency here and think that fungibility and transferability are more relevant at solo level.	Disagree

			Whilst, the transfer of assets from one undertaking to another would not change the consolidation picture of the group solvency. it could affect the solo the Solvency situation. Therefore, we believe that the paragraph is confusing solo and group solvencies. We think this methodology will lead to a lot of complexity because the exact contribution of available and non-available own funds of companies will have to be mapped out, on a consolidated basis.This might mislead analysts as similar group solvency ratios would be disclosed for very different groups. We therefore recommend not to take into account transferability and fungibility aspects of local own funds in the group solvency but to take them into account at solo level instead.	
826.	CEA, ECO-SLV-09-454	3.136.	We suggest that transferability and fungibility issues are not taken into account at group level. We disagree with the presentation of group solvency here and think that fungibility and transferability are more relevant at solo level. Whilst the transfer of assets from one undertaking to another would not change the consolidation picture of the group solvency, it could affect the solo Solvency situation. Therefore, we believe that the paragraph is confusing solo and group solvencies. For clarification purposes, here is an example based on annex 2. Let us take two similar groups each with two subsidiaries “A” and “B” but : Let us say that available OF are 100 in both “A” subsidiaries of both groups. Let us say that non-available OF in subsidiary “B” are 100 in the first group and the second group they are 1000. If we follow the methodology proposed by Ceiops, the two groups will have the same group solvency (even if locally the “B” companies will have different solvency ratios). But this is not an	Disagree

			economic reality because one group has more than five times (200 vs 1100) the total level of own funds. We think this methodology will lead to a lot of complexity because the exact contribution of available and non-available own funds of companies will have to be mapped out, on a consolidated basis. This might mislead analysts as similar group solvency ratios would be disclosed for very different groups. We therefore recommend not taking into account transferability and fungibility aspects of local own funds in the group solvency but to take them into account at solo level instead. In addition, we consider that as long as the undertakings are located within the EEA, own funds should be considered as fungible and transferable, since all these undertakings are covered by Solvency II. If own funds are not transferable, they can always be made transferable by setting up intra-group loan mechanisms. In the EEA, since the solvency is harmonised, there should not be any local solvency rules in addition to Solvency II. As such, a transferable item is always fungible. Finally as in Europe intra-group loans can be set up and are systematically recognised, local own funds shall be transferrable and fungible automatically. Own funds, therefore, have to be analysed together with the capacity of a group to allow for intragroup loans. If this is the case, any available own funds are transferable and fungible.	
827.	European Insurance CFO Forum	3.136.	Allowance for transfer of funds within the group SCR calculation should be consistent with the solo level application and additional measures should not be necessary. Transferability of funds applies at the solo level and is then stripped out on consolidation when intra-group transactions cancel out. Therefore allowance for transfer of funds within the group SCR calculation should be consistent with the solo level application and additional measures should not be necessary.	

			Risk associated with own funds backing intra-group transactions at the solo level should not be double counted in the group SCR. Transferability of funds can be used as evidence of fungibility but all intra-group transactions and associated charges in the solo level SCR should be removed on consolidation to avoid such double counting. Comments in 3.133 are also relevant here.	
828.	FFSA	3.136.	We disagree with the presentation made here regarding Group solvency and think that Fungibility and transferability is not a question at group level but at solo level. Transferring assets from one undertaking to another one would not change the consolidation picture of the Group Solvency. We believe that the paragraph is confusing solo and Group solvencies. The question of transferring assets may be a question only at the solo level because, then, it might change the Solvency situation. The point here is whether or not belonging to a Group adds some benefits. But it is already addressed, for example through the way letter of comfort, parental guarantee or intragroup loans / hybrid debts are handled. To be clearer let's take the example in annex 2. Let's take 2 Similar groups but : Let us say that available OF 1 are 100 in both "1" subsidiaries. Let us say that "non available OF 2" in one company are 100 and in another they are 1000. If we follow the methodology proposed by CEIOPS, the 2 groups will have the same Group Solvency (even if locally the "2" companies will have different solvency ratios). But this is not an economic reality because one group is more than 5 times (200 vs 1100) richer than the other.	Noted/Disagree

			We think this methodology will lead to a lot of complexity because we will have to trace, on a consolidated basis, the exact contribution of available and non-available own funds of companies and that this will lead to mislead analyst by showing the same group solvency ratios for groups very different. We therefore recommend not to take into account transferability and fungibilty aspects of local own funds in the Group solvency. Of course they have to be taken into account at solo level. Also, we consider that as long as the undertakings are located within the EEA, own funds should be considered as fungible and transferable, since these undertakings are all under the Solvency II regulation: if on a first approach, the own funds are not always transferable, they can be transformed as transferable items with the set up of intra-group loan mechanisms. In the EEA, since the solvency is harmonised, there should not be any local solvency rule in addition to solvency II. As such, a transferrable item is always fungible. Finally, since in Europe, intra-group loans can be set up and are systematically recognised, local own funds shall be transferrable and fungible automatically. Thus, transferability and fungibility have to be analysed together with the capacity of a group to allow for intragroup loans. In this case, any available own funds is transferrable and fungible.	
829.	German Insurance Association – Gesamtverb and der D	3.136.	We suggest that transferability and fungibility issues are not taken into account at group level. We disagree with the presentation of group solvency here and think that fungibility and transferability are more relevant at solo level. Whilst the transfer of assets from one undertaking to another would not change the consolidation picture of the group solvency, it could affect the solo Solvency situation. Therefore, we believe that the paragraph is confusing solo and group solvencies. For clarification purposes, here is an example based on annex 2.	Disagree

			Let us take two similar groups each with two subsidiaries "A" and "B" but : Let us say that available OF are 100 in both "A" subsidiaries of both groups. Let us say that non-available OF in subsidiary "B" are 100 in the first group and the second group they are 1000. If we follow the methodology proposed by CEIOPS, the two groups will have the same group solvency (even if locally the "B" companies will have different solvency ratios). But this is not an economic reality because one group has more than five times (200 vs 1100) the total level of own funds. We think this methodology will lead to a lot of complexity because the exact contribution of available and non-available own funds of companies will have to be mapped out, on a consolidated basis. This might mislead analysts as similar group solvency ratios would be disclosed for very different groups. We therefore recommend not to take into account transferability and fungibility aspects of local own funds in the group solvency but to take them into account at solo level instead. In addition, we consider that as long as the undertakings are located within the EEA, own funds should be considered as fungible and transferable, since all these undertakings are covered by Solvency II. If own funds are not transferable, they can always be made transferable by setting up intra-group loan mechanisms. In the EEA, since the solvency is harmonised, there should not be any local solvency rules in addition to Solvency II. As such, a tranferable item is always fungible. Finally as in Europe intra-group loans can be set up and are systematically recognised, local own funds shall be transferrable and fungible automatically. Own funds, therefore, have to be analysed together with the capacity of a group to allow for intragroup loans. If this is the case, any available	

			own funds are transferable and fungible.	
830.	Investment & Life Assuarnce Group (ILAG)	3.136.	It is not clear whether there needs to be both transferability and fungibility or whether one is sufficient.	Noted. See revised text
831.	Pearl Group Line	3.136.	We suggest that transferability and fungibility issues are not taken into account at group level. We disagree with the presentation of group solvency here and think that fungibility and transferability are more relevant at solo level. Whilst, the transfer of assets from one undertaking to another would not change the consolidation picture of the group solvency. it could affect the solo the Solvency situation. Therefore, we believe that the paragraph is confusing solo and group solvencies.	Disagree
832.	Royal Bank of Scotland Insurance	3.136.	This statement is confusing the concept of transferability and fungibility at a solo level and group solvency. The proposed methodology will lead to a lot of complexity because the exact contribution of available and non-available own funds of companies will have to be mapped out on a consolidated basis.	Disagree
833.	AAS BALTA	3.137.	We agree that costs associated with the transfer of own funds should be considered in the solvency calculation.	Noted
834.	AB Lietuvos draudimas	3.137.	We agree that costs associated with the transfer of own funds should be considered in the solvency calculation.	Noted
835.	Association of British Insurers	3.137.	We believe that the distinction between transferability and fungibility provided by CEA is clearer than the CEIOPS definitions: Transferability may be said to refer to the physical transfer of (ownership) of assets from one legal entity to another. In a Solvency II framework, definitions of 'transferability of own funds' and 'fungibility of own funds' are more relevant than	Noted

			transferability/fungibility of capital. This is in line with the Solvency II Framework Directive. We therefore prefer 'Transferability of own funds refers to the actual ability of one entity to transfer assets to another entity at the time when the financial support is needed'. Fungibility means that a group can cover the capital requirements of another entity with own funds located outside that entity. In other words, fungibility refers to the ability to enable an increase in the own funds of another entity, without necessarily involving a physical transfer of assets.	
836.	CEA, ECO-SLV-09-454	3.137.	We find Ceiops' distinction between transferability and fungibility unclear and refer to our previous document ECO-SLV-09-060. "The CEA agrees that transferability and fungibility are linked but distinct from each other. It is important to distinguish between the two. The key issue is whether own funds can be made available. Whilst there are a number of definitions for these terms, we believe the following distinction is perhaps the most relevant in the context of group solvency: Transferability may be said to refer to the physical transfer of (ownership) of assets from one legal entity to another. In a Solvency II framework, definitions of 'transferability of own funds' and 'fungibility of own funds' are more relevant than transferability/fungibility of capital. This is in line with the Solvency II framework directive. We therefore prefer "Transferability of own funds refers to the actual ability of one entity to transfer assets to another entity at the time when the financial support is needed". Fungibility means that a group can cover the capital requirements of another entity with own funds located outside the entity. In other words, fungibility refers to the ability to enable an increase in the own funds of another entity, without necessarily involving a physical transfer of assets.	Noted/Disagree

			The CP states that fungibility means that the own funds can fully absorb. We consider that significantly absorb is the correct wording. Also, transferability and fungibility have to be analysed together with the capacity of a group to allow for intragroup loans. In this case, any available own funds are transferrable and fungible. The CP should recognise this and consider intragroup loans. Furthermore we believe that all the assets in excess of the local SCR for European entity is by definition fungible. This should be stated clearly. See comment to 3.136.	
837.	CRO Forum	3.137.	The CRO Forum agrees with these definitions, which are broadly aligned with our previous discussions. We assume that transferability is a "technical ability" and so disconnected with any regulatory constraint. These definitions highlight the fact that fungibility is more constraining than transferability.	Noted
838.	DENMARK: Codan Forsikring A/S (10529638)	3.137.	We agree that costs associated with the transfer of own funds should be considered in the solvency calculation.	Agreed
839.	European Insurance CFO Forum	3.137.	Comments in 3.133 and 3.136 are also relevant here.	Noted
840.	FFSA	3.137.	CP states that fungibility means that the own fund can fully absorb any kind of losses within the Group. FFSA considers it should be significantly absorb. CP should be giving quantitative analysis of the criteria used for the fungibility and transferability statements. Also, as indicated above,	Noted/Disagree

			FFSA recommends that the CEIOPS or the group supervisor provides with a list of own funds per country, meeting with these criteria. It will ease the process and avoid any denial of own funds per the supervisor. This list would not be exhaustive. Also, , we consider that as long as the undertakings are located within the EEA, own funds should be considered as fungible and transferable, since these undertakings are all under the Solvency II regulation: if on a first approach, the own funds are not always transferable, they can be transformed as transferable items with the set up of intra-group loan mechanisms. In the EEA, since the solvency is harmonised, there should not be any local solvency rule in addition to solvency II. As such, a transferrable item is always fungible. Finally, since in Europe, intra-group loans can be set up and are systematically recognised, local own funds shall be transferrable and fungible automatically. Transferability and fungibility have to be analysed together with the capacity of a group to allow for intragroup loans (cf. 3.136). In this case, any available own funds is transferrable and fungible. The CP should recognise it and deal with the intragroup loans. Furthermore FFSA believes that all the assets in excess of the local SCR for European entity is by definition fungible. This should be stated clearly.	
841.	German Insurance Association – Gesamtverb and der D	3.137.	We find CEIOPS' distinction between transferability and fungibility unclear and refer to our previous document ECO-SLV-09-060. "The CEA agrees that transferability and fungibility are linked but distinct from each other. It is important to distinguish between the two. The key issue is whether own funds can be made available. Whilst there are a number of definitions for these terms, we believe the following distinction is perhaps the most relevant in the context of group solvency: Transferability may be said to refer to the physical transfer	Noted/disagree

			of (ownership) of assets from one legal entity to another. In a Solvency II framework, definitions of 'transferability of own funds' and 'fungibility of own funds' are more relevant than transferability/fungibility of capital. This is in line with the Solvency II framework directive. We therefore prefer "Transferability of own funds refers to the actual ability of one entity to transfer assets to another entity at the time when the financial support is needed". Fungibility means that a group can cover the capital requirements of another entity with own funds located outside the entity. In other words, fungibility refers to the ability to enable an increase in the own funds of another entity, without necessarily involving a physical transfer of assets. The CP states that fungibility means that the own funds can fully absob. We consider that significantly absorb is the correct wording. Also, transferability and fungibility have to be analysed together with the capacity of a group to allow for intragroup loans. In this case, any available own funds are transferrable and fungible. The CP should recognise this and consider intragroup loans. Furthermore we believe that all the assets in excess of the local SCR for European entity is by definition fungible. This should be stated clearly. See comment to 3.136.	
842.	Groupe Consultatif	3.137.	The definitions of fungibility and transferability made in 3.137 are not very intuitive and might need further elaboration and explanation. Some illustrative examples of own fund that are fungible but not transferable or transferable but not fungible might also help. - In particular, the definition of fungibility already includes an element of transferability by reference to "... can fully absorb losses	Noted/Disagree

			within the group ...". It might be clearer if fungibility is tested as being funds not dedicated to a certain purpose within the solo entity. Also, the difference between transferability and liquidity should be made clear. - Having said that we are unsure whether the additional distinction between fungibility and transferability is helpful in this context. A useful combined and better accessible definition is provided in the Internal Models Benchmarking Study of the CRO Forum issued on 30 January 2009 and our (GC) answers we gave in February…... The difference between fungibility and transferability of own funds is unclear. Is transferability somehow linked to the liquidity of free assets (i.e. the portion of assets attributable to own funds and not attributable to technical provisions) ? For some elements of own funds (minority interests, ancillary own funds, hybrid capital), it may also appear tricky to determine to what extent these elements are fungible and / or transferable. Some guidance from CEIOPS on this point would be welcomed.	
843.	Institut des actuaires (France)	3.137.	The difference between fungibility and transferability of own funds is unclear. Is transferability somehow linked to the liquidity of free assets (i.e. the portion of assets attributable to own funds and not attributable to technical provisions) ? For some elements of own funds (minority interests, ancillary own funds, hybrid capital), it may also appear tricky to determine to what extent these elements are fungible and / or transferable. Some guidance from CEIOPS on this point would be welcomed.	
844.	KPMG ELLP	3.137.	There seems to be some confusion in the paper between the fungibility and transferability concepts.	Noted/Disagree

845.	Link4 Towarzystw o Ubezpieczeń SA	3.137.	We agree that costs associated with the transfer of own funds should be considered in the solvency calculation.	Noted
846.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.137.	We agree that costs associated with the transfer of own funds should be considered in the solvency calculation.	Noted
847.	Pearl Group Line	3.137.	We find CEIOPS' distinction between transferability and fungibility unclear. We would refer CEIOPS back to the CEA proposal of definition in its Response to CEIOPS' request on the calculation of the group SCR : Transferability may be said to refer to the physical transfer of (ownership) of assets from one legal entity to another. In a Solvency II framework, definitions of 'transferability of own funds' and 'fungibility of own funds' are more relevant than transferability/fungibility of capital. This is in line with the Solvency II Framework Directive. We therefore prefer 'Transferability of own funds refers to the actual ability of one entity to transfer assets to another entity at the time when the financial support is needed'. Fungibility means that a group can cover the capital requirements of another entity with own funds located outside that entity. In other words, fungibility refers to the ability to enable an increase in the own funds of another entity, without necessarily involving a physical transfer of assets.	Noted/Disagree
848.	Royal Bank	3.137.	The distinctions between the two concepts are unclear.	Noted

	of Scotland Insurance			
849.	RSA Insurance Group PLC	3.137.	We agree that costs associated with the transfer of own funds should be considered in the solvency calculation.	Noted
850.	RSA Insurance Ireland Ltd	3.137.	We agree that costs associated with the transfer of own funds should be considered in the solvency calculation.	Noted
851.	RSA - Sun Insurance Office Ltd.	3.137.	We agree that costs associated with the transfer of own funds should be considered in the solvency calculation.	Noted
852.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.137.	We agree that costs associated with the transfer of own funds should be considered in the solvency calculation.	Noted
853.	UNESPA - Spanish Union of Insurance and Rein	3.137.	It is necessary to clarify fungibility and transferability definitions in connection with the availability of eligible own funds. The concept of eligible own funds availability, developed through the fungibility and transferability concepts, requires more detail in order to clarify in its definition when apply one or the other on the different eligible own funds items, and also the limits to be set on them, in each case.	Noted
854.	CEA, ECO-SLV-09-454	3.138.	See comments to 3.137. Ceiops states that "Fungibility and transferability are linked but distinct from each other. Indeed, own funds may be transferable but not fungible in the context of Solvency II and vice versa". We do not agree with the word "vice versa" in this sentence. We believe that there is some confusion between fungible and	Disagree

			transferable. Based on the definition of fungibility (paragraph 3.137), it is quite clear that if own funds are fungible at group level, they are implicitly also transferable. Indeed, own funds cannot be fungible at group level if they are not transferable. However, own funds can be transferable without being fungible at group level (for instance, some own funds would have the qualifications to absorb losses). The points above should be stated clearly in the advice.	
855.			Confidential comment deleted	
856.	FFSA	3.138.	CEIOPS states that "Fungibility and transferability are linked but distinct from each other. Indeed, own funds may be transferable but not fungible in the context of Solvency II and viceversa". FFSA does not support the viceversa in this sentence. FFSA believes that there are some confusion between fungible vs transferable concept. Based on the fungibility definition (art. 3.137) it is quite clear that that if own funds are fungible at a Group level, they are implicitly transferrable. Indeed, own funds could not be fungible at a group level if not transferable. However, own fund can be transferrable without being fungible at a group level (for instance, some own funds would not have the qualifications to absorb losses). This should be stated clearly.	Disagree
857.	German Insurance Association – Gesamtverb and der D	3.138.	See comments to 3.137. CEIOPS states that "Fungibility and transferability are linked but distinct from each other. Indeed, own funds may be transferable but not fungible in the context of Solvency II and vice versa". We do not agree with the word "vice versa" in this sentence. We believe that there is some confusion between fungible and transferable. Based on the definition of fungibility (paragraph	Disagree

			3.137), it is quite clear that if own funds are fungible at group level, they are implicitly also transferable. Indeed, own funds cannot be fungible at group level if they are not transferable. However, own funds can be transferable without being fungible at group level (for instance, some own funds would have the qualifications to absorb losses). The points above should be stated clearly in the advice.	
858.	Groupe Consultatif	3.138.	Some examples would certainly make it clearer.	Noted
859.	Institut des actuaires (France)	3.138.	Some examples would certainly make it clearer.	Noted
860.	KPMG ELLP	3.138.	Using the definitions in 3.137, we believe something that is non-transferable must also be non-fungible.	Disagree
861.	UNESPA - Spanish Union of Insurance and Rein	3.138.	Fungibility and transferability concepts should not be fully limited and they should be clarified. If we understand that the fungibility and transferability concepts, despite of being different, are related, we should also understand that there should not be radical limitations to consider themselves as fungible and / or transferable, in order to assess partial limitation possibilities to both concepts.	Noted
862.	Association of British Insurers	3.139.	We note that several jurisdictions currently have prudential filters in place that refer to IFRS based accounts in a solvency context. Given that the objective is to have the Solvency II framework on an economic sound basis such extra prudential filters would no longer be relevant, and we assume these are not meant to be included under step 2 iv.	Disagree
863.			Confidential comment deleted	

864.	CEA, ECO-SLV-09-454	3.139.	We note that several jurisdictions currently have prudential filters in place that refer to IFRS based accounts in a solvency context. Given that the objective is to have the Solvency II framework on an economic sound basis such extra prudential filters would no longer be relevant, and we assume these are not meant to be included under step 2 iv.	See 862
865.			Confidential comment deleted	
866.	European Insurance CFO Forum	3.139.	Prudential filters should not be included under 3.139.2 iv. Consistent with the point raised in 3.45, the CFO Forum notes that several jurisdictions currently have prudential filters in place that have regard to the use of IFRS based accounts in a solvency context. Given that the objective is to have the Solvency II framework on an economic basis, such prudential filters would no longer be required and we assume these are not included under 3.139.2 iv. We recommend that “other necessary adjustments or deductions” are clearly defined in the level 2 implementation measures.	See 862
867.	German Insurance Association – Gesamtverband der D	3.139.	We note that several jurisdictions currently have prudential filters in place that refer to IFRS based accounts in a solvency context. Given that the objective is to have the Solvency II framework on an economic sound basis such extra prudential filters would no longer be relevant, and we assume these are not meant to be included under step 2 iv. We also suggest that “any other necessary adjustments or deductions” should be defined more clearly.	See 862
868.	Groupe Consultatif	3.139.	A key question: What is the definition of not available?	Noted
869.	Pearl Group	3.139.	We note that several jurisdictions currently have prudential filters in	See 862

	Line		place that refer to IFRS based accounts in a solvency context. Given that the objective is to have the Solvency II framework on an economic sound basis such extra prudential filters would no longer be relevant, and we assume these are not meant to be included under step 2 iv.	
870.	UNESPA - Spanish Union of Insurance and Rein	3.139.	See comments on 3.158.	Out of the scope of that advice
871.	Association of British Insurers	3.140.	We suggest adjusting the wording as diversification effects (as a simple economic reality) are always available. We believe what is meant here refers to transferability.	Disagree
872.	Pearl Group Line	3.140.	We suggest adjusting the wording as diversification effects (as a simple economic reality) are always available. We believe what is meant here refers to transferability.	Disagree
873.	Royal Bank of Scotland Insurance	3.140.	The last sentence is confusing – diversification effects should always be available – particularly with respect to the deduction and aggregation method.	Disagree
874.	CEA, ECO-SLV-09-454	3.141.	See comment to 3.150.	Disagree
875.			Confidential comment deleted	
876.	European Insurance CFO Forum	3.141.	"Diversification effects" should be replaced by "transferability". The CFO Forum notes that as a simple economic reality, diversification effects are always available and that this paragraph really refers to "transferability". Therefore we suggest that "diversification effects" is replaced by "transferability".	Noted

			Numerical examples should be provided in level 2 implementation measures to better illustrate the relationship between diversification, fungibility and transferability. We note that this is particularly relevant to paragraphs 3.141 and 3.146-3.150. Comments in 3.136 are also relevant here.	
877.	German Insurance Association – Gesamtverb and der D	3.141.	See comment to 3.150.	Disagree
878.	Royal Bank of Scotland Insurance	3.141.	Group own funds will not change by transferring assets from one group undertaking to another. The diversification effect is to be assessed when computing group SCR.	Noted/Disagree
879.	CEA, ECO-SLV-09-454	3.142.	See comment to 3.150.	Noted
880.			Confidential comment deleted	
881.	German Insurance Association – Gesamtverb and der D	3.142.	See comment to 3.150.	Noted
882.	Association of British Insurers	3.143.	The equation should be adjusted to avoid double counting. Option A: When determining the group diversification effects, one has to ensure that double counting is eliminated. Without adjusting	Agreed/Noted See revised text

			the solo SCRs, the risks originating from related undertakings are double counted, once e.g. as market risk in the participating undertaking and once in the SCR of the related undertaking. Thus, eliminating double gearing concerning own funds implies that double counting of risks has also to be eliminated. The fraction in the formula would otherwise not represent a diversification benefit allocation factor as the sum in the denominator covers more (double counted) risks than the enumerator. In addition, in this equation the effects on the SCR of intra-group transactions is included. In our opinion this should be eliminated first from the Sum of local SCR, when deemed material. This we would suggest to include the following equation: A group internal model might directly or via other ways consider limitations on fungibility and transferability. For example, a group risk model might stochastically simulate economic results in the solo entities and per simulation consider where capital is needed and in which entities fungible and transferable capital can be used to cover losses. In such cases, the presented approach is a less realistic simplification and a more sophisticated approach should be used. We therefore suggest not to restrict other more sophisticated solutions to cope with fungibility and transferability limitations in advance. This comment also applies to 3.144.	
883.			Confidential comment deleted	
884.	CEA, ECO-SLV-09-454	3.143.	We disagree with the method presented in 3.143. See also our comment to 3.150. A group internal model might directly or via other ways consider limitations on fungibility and transferability. For example, a group risk model might stochastically simulate economic results in the solo entities and per simulation consider	Noted See revised text

			where capital is needed and in which entities fungible and transferable capital can be used to cover losses. In such cases, the presented approach is a less realistic simplification and a more sophisticated approach should be used. We therefore suggest not restricting other more sophisticated solutions to cope with fungibility and transferability limitations in advance. This comment also applies to 3.144.	
885.	CRO Forum	3.143.	Option A: It should be clarified that the individual SCRs are not the stand-alone capital requirements of the solo entities but rather that from the deduction and aggregation method, i.e. all group risks are contained in some of the individual SCRs but risks are not double counted. New Option C: we suggest to leave the door open for a more sophisticated/ realistic approach for Internal Model A group internal model might directly or via other ways consider limitations on fungibility and transferability. For example, a group risk model might stochastically simulate economic results in the solo entities and per simulation consider where capital is needed an from what entities fungible and transferable capital can be used to cover losses. In such a case, the presented approach is a less realistic simplification and the more sophisticated approach should be used. This comment also applies to 3.144.	Agreed/Noted See revised text
886.	European Union member firms of Deloitte Touche Toh	3.143.	Allocation of the effect of group diversification - Paragraph 3.142 – 3.143 Advice paragraphs 3.146 - 3.148 The theoretical allocation of diversification benefits set out in paragraph 3.143 could produce an inequitable allocation where the effects of standard formula group diversification are significantly different for different parts of a group. The effect of an inequitable theoretical allocation of diversification benefit may affect extent to which eligible own funds in subsidiaries are included in group eligible own funds and the inclusion within eligible group own funds	Agreed/Noted See revised text

			of a minority interest in the SCR of a subsidiary. We note that where an internal model is used a group specific assessment of the effect of diversification can be used. We suggest that CEIOPS advice should include implementation measures that provide an option for the group to agree with the group supervisor an alternative allocation more appropriate to the circumstances of the group where the result of the theoretical allocation of standard formula group diversification would produce a significantly inequitable result.	
887.	German Insurance Association – Gesamtverband der D	3.143.	We disagree with the method presented in 3.143. See also our comment to 3.150. A group internal model might directly or via other ways consider limitations on fungibility and transferability. For example, a group risk model might stochastically simulate economic results in the solo entities and per simulation consider where capital is needed and in which entities fungible and transferable capital can be used to cover losses. In such cases, the presented approach is a less realistic simplification and a more sophisticated approach should be used. We therefore suggest not restricting other more sophisticated solutions to cope with fungibility and transferability limitations in advance. This comment also applies to 3.144.	Noted See revised text
888.	Groupe Consultatif	3.143.	The allocation of diversification set out will incentivise groups to rearrange their business to optimize the outcome. For example the use of intragroup transfers to minimize the impact of the calculation which is [totally?] artificial. We would also refer to the Groupe Consultatif paper “Diversification”	Noted
889.	Institut des actuaires (France)	3.143.	Institut des Actuaires recognizes that the theoretical allocation of the diversification benefits to entities within the group can be approximated by a proportional allocation, as proposed by the	

			default method (Option A). However, it is necessary to authorize insurance groups to apply a more sophisticated allocation of these benefits, as mentioned in the consultation paper (Option B).	
890.	Munich RE	3.143.	Option A: It should be clarified that the individual SCRs are not the stand-alone capital requirements of the solo entities but rather that from the deduction and aggregation method, i.e. all group risks are contained in some of the individual SCRs but risks are not double counted. For instance, without adjusting the solo SCRs, the risks originating from related undertakings are double counted, once e.g. as market risk in the participating undertaking and once in the SCR of the related undertaking. Thus, eliminating double gearing concerning own funds implies that double counting of risks has also to be eliminated. Moreover, the fraction in the formula would otherwise not represent a diversification benefit allocation factor as the sum in the denominator covers more (double counted) risks than the enumerator. Option B: A group internal model might directly or via other ways consider limitations on fungibility and transferability. For example, a group risk model might stochastically simulate economic results in the solo entities and per simulation consider where capital is needed an from what entities fungible and transferable capital can be used to cover losses. In such a case, the presented approach is a less realistic simplification and the more sophisticated approach should be used. We therefore suggest not to restrict possible better solutions to cope with fungibility and transferability limitations in advance. This comment also applies to 3.144.	Agreed/Noted See revised text
891.	Pearl Group Line	3.143.	The equation should be adjusted to avoid double counting. Option A: When determining the group diversification effects, one has to ensure that double counting is eliminated. Without adjusting the solo SCRs, the risks originating from related undertakings are double counted, once e.g. as market risk in the participating	Agreed/Noted See revised text

			undertaking and once in the SCR of the related undertaking. Thus, eliminating double gearing concerning own funds implies that double counting of risks has also to be eliminated. The fraction in the formula would otherwise not represent a diversification benefit allocation factor as the sum in the denominator covers more (double counted) risks than the enumerator. In addition, in this equation the effects on the SCR of intra-group transactions is included. In our opinion this should be eliminated first from the Sum of local SCR, when deemed material. This we would suggest to include the following equation: $Contr_j = \frac{GroupSCR}{\sum_j SCR_i - Intra_i}$ A group internal model might directly or via other ways consider limitations on fungibility and transferability.	
892.	Royal Bank of Scotland Insurance	3.143.	There is an element of double counting in the proposed formula. Without adjusting the solo SCR, risks originating from related undertakings are double counted. A group internal model may directly or via other ways consider limitations on fungibility and transferability.	Agreed/Noted See revised text
893.	CEA, ECO-SLV-09-454	3.144.	Similarly as our comment on 3.141, we believe it needs to be made clear that “unavailable” refers to availability for potential transfers. See comment to 3.150.	Noted
894.	CRO Forum	3.144.	Similar comment than on 3.141, it should be written clearly that “unavailable” refers to availability for potential transfers of funds to cover losses.	Noted
895.	European Insurance	3.144.	Comments in 3.136 and 3.141 are also relevant here.	Noted

	CFO Forum			
896.	German Insurance Association – Gesamtverband der D	3.144.	Similarly as our comment on 3.141, we believe it needs to be made clear that "unavailable" refers to availability for potential transfers. See comment to 3.150.	Noted
897.	Royal Bank of Scotland Insurance	3.144.	A distinction should be made between Solvency Ratio and fungibility. The two concepts should not be confused with each other.	Noted
898.	AAS BALTA	3.145.	We welcome the comment that eligible own funds within the group may increase as a result of internal reinsurance arrangements. Clearly where own funds cannot be transferred due to a legal or regulatory restriction there may still be an opportunity to include these own funds in the group solvency calculation by increasing the SCR of the subsidiary through the transfer of risk to the subsidiary.	Noted
899.	AB Lietuvos draudimas	3.145.	We welcome the comment that eligible own funds within the group may increase as a result of internal reinsurance arrangements. Clearly where own funds cannot be transferred due to a legal or regulatory restriction there may still be an opportunity to include these own funds in the group solvency calculation by increasing the SCR of the subsidiary through the transfer of risk to the subsidiary.	Noted
900.	DENMARK: Codan Forsikring A/S (10529638)	3.145.	We welcome the comment that eligible own funds within the group may increase as a result of internal reinsurance arrangements. Clearly where own funds cannot be transferred due to a legal or regulatory restriction there may still be an opportunity to include these own funds in the group solvency calculation by increasing the SCR of the subsidiary through the transfer of risk to the subsidiary.	Noted
901.	Link4 Towarzystw	3.145.	We welcome the comment that eligible own funds within the group may increase as a result of internal reinsurance arrangements.	Noted

	o Ubezpieczeń SA		Clearly where own funds cannot be transferred due to a legal or regulatory restriction there may still be an opportunity to include these own funds in the group solvency calculation by increasing the SCR of the subsidiary through the transfer of risk to the subsidiary.	
902.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.145.	We welcome the comment that eligible own funds within the group may increase as a result of internal reinsurance arrangements. Clearly where own funds cannot be transferred due to a legal or regulatory restriction there may still be an opportunity to include these own funds in the group solvency calculation by increasing the SCR of the subsidiary through the transfer of risk to the subsidiary.	Noted
903.	RSA Insurance Group PLC	3.145.	We welcome the comment that eligible own funds within the group may increase as a result of internal reinsurance arrangements. Clearly where own funds cannot be transferred due to a legal or regulatory restriction there may still be an opportunity to include these own funds in the group solvency calculation by increasing the SCR of the subsidiary through the transfer of risk to the subsidiary.	Noted
904.	RSA Insurance Ireland Ltd	3.145.	We welcome the comment that eligible own funds within the group may increase as a result of internal reinsurance arrangements. Clearly where own funds cannot be transferred due to a legal or regulatory restriction there may still be an opportunity to include these own funds in the group solvency calculation by increasing the SCR of the subsidiary through the transfer of risk to the subsidiary.	Noted
905.	RSA - Sun Insurance Office Ltd.	3.145.	We welcome the comment that eligible own funds within the group may increase as a result of internal reinsurance arrangements. Clearly where own funds cannot be transferred due to a legal or regulatory restriction there may still be an opportunity to include these own funds in the group solvency calculation by increasing the SCR of the subsidiary through the transfer of risk to the subsidiary.	Noted
906.	SWEDEN: Trygg-Hansa Försäkrings	3.145.	We welcome the comment that eligible own funds within the group may increase as a result of internal reinsurance arrangements. Clearly where own funds cannot be transferred due to a legal or	Noted

	AB (516401-7799)		regulatory restriction there may still be an opportunity to include these own funds in the group solvency calculation by increasing the SCR of the subsidiary through the transfer of risk to the subsidiary.	
907.	Association of British Insurers	3.146.	We disagree with this paragraph. The group own funds will not change by transferring assets from one group undertaking to another one. The diversification effect is to be assessed when computing group SCR. See also comment under 3.141.	Disagree
908.	CEA, ECO-SLV-09-454	3.146.	See comment to 3.150.	Disagree
909.	CRO Forum	3.146.	The excess own funds at group level should be flagged between fungible and non-fungible (see our comment on 3.150).	Noted
910.	European Insurance CFO Forum	3.146.	Comments in 3.136 and 3.141 are also relevant here.	Noted
911.	FFSA	3.146.	Diversification effect issue is not applicable to Group own funds' assessment: again the Group own funds will not change by transferring assets from one Group undertaking to another one. The diversification effect is to be assessed when computing Group SCR.	Disagree
912.	German Insurance Association – Gesamtverband der D	3.146.	See comment to 3.150.	Noted/Disagree
913.	Munich RE	3.146.	The proposed treatment of excess that cannot be used to meet solvency requirements in other parts of the group can be too restrictive. For instance, consider a holding that owns two	Disagree

			insurance undertakings with a solvency ratio of each 200% but in both cases the solo SCR is covered only by own funds being non-fungible and non-transferable. The proposed method leads to a group solvency ratio of 100% which actually is a negative diversification effect. This result is misleading as there are much more own funds to meet solvency requirements than the 100% indicates. We therefore suggest to apply a floor of eligible own funds that represent the minimum coverage ratio of the solo entities.	
914.	Pearl Group Line	3.146.	We disagree with this paragraph. The group own funds will not change by transferring assets from one group undertaking to another one. The diversification effect is to be assessed when computing group SCR.	Noted
915.	CRO Forum	3.147.	See our comment on§3.143 (especially new option C)	Noted
916.	European Insurance CFO Forum	3.147.	Comments in 3.141 are also relevant here.	Noted
917.	Munich RE	3.147.	It is not necessary to undertake a theoretical allocation of the diversification benefits when a group internal stochastic model is used that provides simulated outcomes per entity and then performs a capital redistribution step within the group taking fungibility and transferability limitations into account. We therefore suggest not to restrict in advance possible better solutions in group internal models to cope with fungibility and transferability limitations. This method would also make 3.148 to 3.150 redundant such that this comment also applies to 3.148 to 3.150.	Noted
918.	CEA, ECO-SLV-09-454	3.148.	See comment to 3.150.	Noted
919.	European	3.148.	Comments in 3.141 are also relevant here.	Noted

	Insurance CFO Forum			
920.	German Insurance Association – Gesamtverb and der D	3.148.	See comment to 3.150.	Noted
921.	CEA, ECO-SLV-09-454	3.149.	See comment to 3.150.	Noted
922.	European Insurance CFO Forum	3.149.	Comments in 3.141 are also relevant here.	Noted
923.	German Insurance Association – Gesamtverb and der D	3.149.	See comment to 3.150.	Noted
924.	Groupe Consultatif	3.149.	Internal Models often apply a haircut to the group diversification benefits allowed in the group SCR, i.e. the group SCR is higher than the SCR calculated on the consolidated approach while the group available capital is the sum of solo capital (subject to elimination of double use of capital). The haircut may be calculated by explicitly modeling fungibility constraints, capital allocation and transfer commitments in multiple stress simulations at group level. We see theoretical advantages of the 'Internal model' approach which allows for limits of transferability explicitly but admittedly it can also be very onerous and technically demanding, so that the	Noted

			approach taken in the standard model is not unreasonable. We recommend that CEIOPS explains to which extent the level 1 and CP 60 proposal with regard to fungibility is binding for Internal Models as well. It should be ensured that Internal Models are not faced with disadvantages although conceptually superior.	
925.	Association of British Insurers	3.150.	We believe a distinction should be made between Solvency ratio and fungibility. The two concepts should not be confused. As fungibility is a separate constraint closer to Tied assets constraint, we believe that the solvency ratio should be measured without fungibility constraints. It will represent the real solvency level of the group. If two entities have a coverage ratio of 200% with no fungible excess it does not seem meaningful to disclose a 100% ratio at the group level. Nevertheless, we agree that it makes sense then to analyse the excess own funds between the fungible excess and the non fungible at group level. The non-fungible excess will represent the excess available at the group level that could be used for acquisitions, dividends payment etc. See also comment to 3.144 and 3.201.	Disagree
926.	CEA, ECO-SLV-09-454	3.150.	We strongly disagree with theoretical allocation of diversification effects and deducting unavailable own funds covering the solo SCR from group own funds. In our view all solo own funds eligible for covering the solo SCR should be counted as part of the group own funds. Whenever own funds are not deemed to be transferable, Article 220 should be applied. This Article provides that non-transferable own funds that are covering the solo SCR can be counted as part of group own funds. We therefore strongly disagree with Ceiops' approach of only allowing the notional diversified contribution of each solo entity to be counted as part of group own funds. In any case any mechanism for allocating diversification effects would be arbitrary and therefore	Disagree

			there is no basis for taking this approach.	
927.	CRO Forum	3.150.	It appears still to be confusion around diversification, solvency and fungibility that are distinct concepts and should not be mixed-up, as it was already the case in QIS 4. The CRO Forum reaffirms that the solvency ratio should be measured without fungibility constraints. It will represent the real solvency level of the group. If two entities have a coverage ratio of 200% with no fungible excess it does not seem meaningful to disclose a 100% ratio at the Group level, as the Group is very strong. The excess own fund at Group level should then be flagged between fungible and non-fungible parts. The fungible excess will represents the excess available at the group level that could be used for acquisitions, dividends payment, etc..	Disagree
928.	European Insurance CFO Forum	3.150.	Comments in 3.141 are also relevant here.	Noted
929.	FFSA	3.150.	"The sum of the excess own funds identified as unavailable should then be deducted from group own funds. " FFSA believes a difference should be made between Solvency ratio and fungibility/transferability at a Group level. The two concepts should not be mixed up. As fungibility and transferability at a group level is a separate constraint closer to Tied assets constraint, FFSA believes that the solvency ratio should be measured without these constraints. It will represent the real solvency level of the group. FFSA would like to stress that looking at Group solvency ratios solely on a basis that excludes any excess own funds identified as	Disagree

			unavailable (as per CEIOPS' definition) can give a very misleading view of the true level of solvency of a Group. To illustrate this point, let's consider a Group made up of two entities, both of whom have solo SCR coverage ratios of 200%, but with excess own funds made up only of items deemed unavailable. If we assume (for the purpose of illustration) no diversification between the two entities, the Group SCR coverage ratio after exclusion of unavailable funds would be only 100%. This would convey the erroneous message that the Group's solvency ratio is very tight, although the reality is that each of the entity making up the Group has a very large margin over its SCR. For this reason, FFSA thinks that it would be more appropriate to look at the overall level of solvency of a Group without deducting excess own funds deemed unavailable. At the same time, FFSA recognizes the relevancy of breaking down such excess own funds into available and unavailable components as this provides another set of information on the ability of Groups to mobilize internal resources for a number of purposes (including making an acquisition, paying dividends...). As a conclusion, taking those various elements into account, FFSA recommends that the solvency of Groups be assessed on the basis of (i) their solvency ratio before exclusion of excess own funds identified as unavailable, complemented by (ii) a disclosure about how the Group excess own funds break down into available and unavailable components.	
930.	German Insurance Association – Gesamtverb and der D	3.150.	We strongly disagree with theoretical allocation of diversification effects and deducting unavailable own funds covering the solo SCR from group own funds. In our view all solo own funds eligible for covering the solo SCR should be counted as part of the group own funds. Whenever own funds are not deemed to be transferable, Article 220 should be applied. This Article provides that non-transferable own funds that are covering the solo SCR can be counted as part of group own funds. We therefore strongly disagree with CEIOPS' approach of	Disagree

			only allowing the notional diversified contribution of each solo entity to be counted as part of group own funds. In any case any mechanism for allocating diversification effects would be arbitrary and therefore there is no basis for taking this approach.	
931.	KPMG ELLP	3.151.	We note that CEIOPS (in paragraph 3.137) distinguishes between fungibility and transferability. In practice, fungibility of Own Funds, as described by CEIOPS, will be limited due to individual jurisdictions' Company Law requirements and the legal form of individual insurers, compared to the economic substance of groups. Therefore, we believe it better to consider transferability as the key criteria.	Noted/Disagree
932.	Association of British Insurers	3.155.	By definition, all the assets covering the excess of the local SCR for European entity are fungible as there should be no constraints of eligibility above the solo SCR.	Disagree
933.	CEA, ECO-SLV-09-454	3.155.	We believe that all the assets covering the excess of the local SCR for European entity are by definition fungible as there are no constraints of eligibility above the solo SCR. This should be stated clearly.	Disagree
934.	FFSA	3.155.	FFSA believes that all the assets covering the excess of the local SCR for European entity is by definition fungible as there are no constraint of eligibility above the solo SCR. This should be stated clearly.	Disagree
935.	German Insurance Association – Gesamtverband der D	3.155.	We believe that all the assets covering the excess of the local SCR for European entity are by definition fungible as there are no constraints of eligibility above the solo SCR. This should be stated clearly.	Disagree
936.	Pearl Group Line	3.155.	By definition, all the assets covering the excess of the local SCR for European entity are fungible as there should be no constraints of	Disagree

			eligibility above the solo SCR.	
937.	Royal Bank of Scotland Insurance	3.155.	There should be no constraints of eligibility above the solo SCR. All assets covering the excess capital requirement are fungible.	Disagree
938.	CEA, ECO-SLV-09-454	3.157.	It would be useful to have further clarification on fungibility and transferability constraints included in Level 2. See also our comment to 3.155.	Noted
939.	CRO Forum	3.157.	**[EMPTY]**	
940.	FFSA	3.157.	See 3.155	Noted
941.	German Insurance Association – Gesamtverband der D	3.157.	It would be useful to have further clarification on fungibility and transferability constraints included in Level 2. See also our comment to 3.155.	Noted
942.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.158.	In our sense, this article is also true for the undertaking of an undertaking. It could be helpful to indicate it.	Noted
943.	AMICE	3.158.	10. CEIOPS limits the transferability of deferred taxes assets in so far they are eligible for covering the solo SCR of the related undertaking concerned. AMICE members believe that transferability should not be limited when related undertakings are part of the same taxable group (i.e undertakings from the same jurisdiction).	Partially agreed See revised text

944.	Association of British Insurers	3.158.	Deferred taxes. We disagree with limiting deferred taxes to those eligible for covering the solo SCR. When assessing the appropriateness of deferred tax assets CEIOPS should also include the possibility for so called "fiscal grouping " of legal entities within a fiscal jurisdiction. In such a case the scope should be widened to cover the SCR of all these entities within such a fiscal grouping. Hybrid instruments. We agree that hybrid capital instruments should be eligible to cover the SCR, contrary to what is suggested in CP 46. Hybrid instruments are highly fungible as they can be transferred from one entity to another by loan agreement. They are indeed available for commitments of any entity within a group.	See 943 Noted
945.	CEA, ECO-SLV-09-454	3.158.	The approach taken by Ceiops in 3.158 and 3.167 leads to misunderstandings. The following approach, which combines the two principles in one paragraph, would be clearer: Solo own funds are only eligible to cover the group SCR beyond the solo SCR to the extent that they are fully fungible (rather than transferable, since this is not a big issue). Any own fund item needs to be assessed with regard to fungibility. The text may then go on to enumerate certain elements of restricted fungibility. We have a number of comments on the specific items listed in 3.158: The first principle should be that own funds with restricted fungibility (rather than the non-technical term "availability"). We disagree with limiting deferred taxes to those eligible for	Noted/Disagree For the resolution of the specific items see the relevant paragraphs

			covering the solo SCR. Deferred taxes are measured on an economic basis, and can absorb losses in a going concern situation, which is the basis of Solvency II. When assessing the appropriateness of deferred tax assets Ceiops should also include the possibility for so called "fiscal grouping/unity" of legal entities within a fiscal jurisdiction. In such a case the scope should be widened to cover the SCR of all these entities within such a fiscal unity. We do not understand why subordinated debt is not considered as transferable. We think that it is possible to settle a subordinated debt from one entity of a group with subordinated debt in surplus (excess of covering its SCR), to an other one of the same group if the solvency position of the last one is an issue. It is part of the financing optimization of a group. We agree that hybrid capital instruments should be eligible to cover the SCR, contrary to what is suggested in CP 46. Hybrid instruments are highly fungible as they can be transferred from one entity to another by loan agreement. They are indeed available for commitments of any entity within a group. Not considering the economic value of goodwill will generate inconsistencies between solo and group level. At solo level an economic valuation of the subsidiary will incorporate this goodwill (or at least a significant part) turned into the market value of the participations. However, at group level a considerable goodwill will arise, (especially for Non Life business where a cash-flow projection above 1 year is not allowed) therefore not considering the economic value of this asset shall generate valuation inconsistencies on the business acquired between solo and group level that will be reflected in both available capitals. Example A buys 100% of B (a non life company) as at 30 December 2009. A	

			pays 100 monetary units (m.u). Difference between assets and liabilities of B (in the economic balance sheet) equals to 50 m.u. The other 50 m.u. were paid based on expected future premiums and claims of the non life insurer. Available capital of A at solo level as at 31 December 2009 would be: 100 m.u., since the MCV of participation (B) is 100 (see art 74 of the FD). Available capital of A at group level as at 31 December 2009 would be: 50 m.u. following Ceiops interpretation of not considering goodwill.	
946.			Confidential comment deleted	
947.	DIMA (Dublin International Insurance & Management	3.158.	It would be useful to define with-profits business.	Noted
948.	European Insurance CFO Forum	3.158.	Comments in 3.133 are also relevant here.	Noted
949.	FFSA	3.158.	We cannot agree with the provisions of this section for the reasons explained above, and consider this is not economic. If they were to be endorsed, we would suggest to let down the consolidation approach (that will be awfully complex to implement with multiple restatements and adjustments) and to replace it by a simple (but not economic) addition approach: by definition there will be no solo own fund deficit. As no solo own fund excess is available at Group level, we suggest considering the undertaking's contribution to the Group own funds should equal their SCR. The one exception would be the holding company's own fund that should be accounted at	Noted For the resolution of the comments on the specific items see the relevant paragraphs

			100% It will be then easy to add the solo SCR of the subsidiaries with the holding company's own funds and compare the aggregated amount, i.e. the Group own funds, to the Group SCR computed globally. The CEIOPS should precise the meaning of "restricted availability", "some types of with-profit business". FFSA strictly disagrees on the fact that deferred taxes be limited in the own funds. We do not understand why subordinated debt is not considered as transferable. We think that it is possible to settle a subordinated debt from one entity of a group with subordinated debt in surplus (excess of covering its SCR), to an other one of the same group if the solvency position of the last one is an issue. It is part of the financing optimization of a group.	
950.			Confidential comment deleted	
951.	German Insurance Association – Gesamtverb and der D	3.158.	The approach taken by CEIOPS in 3.158 and 3.167 leads to misunderstandings. The following approach, which combines the two principles in one paragraph, would be clearer: Any solo own funds are eligible to cover the undertaking's contribution to the group SCR (See 3.167). Solo own funds are only eligible to cover the group SCR beyond the undertaking's contribution, to the extent they are fully fungible (rather than transferable, since this is no big issue). Any own fund item needs to be assessed with regard to fungibility. The text may then go on to enumerate certain elements of restricted fungibility. We have a number of comments on the specific items listed in 3.158:	Noted/Disagree For the resolution of the comments on the specific items see the relevant paragraphs

			The first principle should be that own funds with restricted fungibility (rather than the non-technical term "availability") We disagree with limiting deferred taxes to those eligible for covering the solo SCR. Deferred taxes are measured on an economic basis, and can absorb losses in a going concern situation, which is the basis of Solvency II. When assessing the appropriateness of deferred tax assets CEIOPS should also include the possibility for so called "fiscal grouping/unity" of legal entities within a fiscal jurisdiction. In such a case the scope should be widened to cover the SCR of all these entities within such a fiscal unity. We do not understand why subordinated debt is not considered as transferable. We think that it is possible to settle a subordinated debt from one entity of a group with subordinated debt in surplus (excess of covering its SCR), to an other one of the same group if the solvency position of the last one is an issue. It is part of the financing optimization of a group. We agree that hybrid capital instruments should be eligible to cover the SCR, contrary to what is suggested in CP 46. Hybrid instruments are highly fungible as they can be transferred from one entity to another by loan agreement. They are indeed available for commitments of any entity within a group. Not considering the economic value of goodwill will generate inconsistencies between solo and group level.At solo level an economic valuation of the subsidiary will incorporate this goodwill (or at least a significant part) turned into the market value of the participations. However, at group level a considerable goodwill will arise, (especially for Non Life business where a cash-flow projection above 1 year is not allowed) therefore not considering the economic value of this asset shall generate valuation inconsistencies on the business acquired between solo and group	

			level that will be reflected in both available capitals. Example A buys 100% of B (a non life company) as at 30 December 2009. A pays 100 monetary units (m.u). Difference between assets and liabilities of B (in the economic balance sheet) equals to 50 m.u. The other 50 m.u. were paid based on expected future premiums and claims of the non life insurer. Available capital of A at solo level as at 31 December 2009 would be: 100 m.u., since the MCV of participation (B) is 100 (see art 74 of the FD). Available capital of A at group level as at 31 December 2009 would be: 50 m.u. following CEIOPS interpretation of not considering goodwill.	
952.	GROUPAMA	3.158.	– We do not have a good understanding of the treatment suggested by CEIOPS on fungibility and transferability of the excess assets over liabilities, in particular the future profits to be achieved from the portfolio. We believe that the nature of future profits implies in itself the possibility of total fungibility and transferability. We disagree with CEIOPS´ suggestion of limiting transferability for with-profit funds, as the excess assets over liabilities is established after distributing profit-sharing to the policyholders, i.e. it is fully available for the insurer. Not recognizing full transferability would be contrary to the Solvency II principles relating to economic valuation of the balance sheet. We would suggest CEIOPS have a clearer position on the transferability and fungibility of those future profits – We do not understand why subordinated debt is not considered to be a transferable element. We think that it is possible to settle a subordinated debt from one entity in a group with surplus subordinated debt (excess covering its SCR) to another one in the same group if the solvency position of the latter is problematic. This	Noted For the resolution of the comments on the specific items see the relevant paragraphs

			is an element of optimising financing within a group. – CEIOPS does not recognize any transferability of deferred tax assets. We think this should be allowed when the entities are part of the same fiscal group (entities in the same country, for instance).	
953.	Groupe Consultatif	3.158.	Level 2 measures should define the legal conditions to be fulfilled by "letters of credit, guarantees and legally binding commitments" to be recognized as part of ancillary own funds. They should also make it clear whether Article 88 of the Solvency II Directive also applies to commitments between two companies belonging to the same group. We understand that the main difference between the former "group support" and these Tier 3 ancillary own funds is the quantitative limits imposed for covering the SCR : * the former "group support" was eligible to cover the difference between the solo SCR and the solo MCR * "letters of credit, guarantees and legally binding commitments" are eligible to cover the difference between the solo SCR and the solo MCR but are limited, as Tier 3 elements, to one third of the total amount of eligible own funds	Not in the scope of that advice (group support)
954.	Institut des actuaires (France)	3.158.	Level 2 measures should define the legal conditions to be fulfilled by "letters of credit, guarantees and legally binding commitments" to be recognized as part of ancillary own funds. They should also make it clear whether Article 88 of the Solvency II Directive also applies to commitments between two companies belonging to the same group. We understand that the main difference between the former "group support" and these Tier 3 ancillary own funds is the quantitative limits imposed for covering the SCR :	Not in the scope of that advice (group support)

			* the former "group support" was eligible to cover the difference between the solo SCR and the solo MCR * "letters of credit, guarantees and legally binding commitments" are eligible to cover the difference between the solo SCR and the solo MCR but are limited, as Tier 3 elements, to one third of the total amount of eligible own funds	
955.	Investment & Life Assuarnce Group (ILAG)	3.158.	The list includes hybrid and subordinated liabilities which could be tier 1-3. In current IGD calculations there would be no such restriction. Would deferred tax assets be permitted to cover solo SCR?	Disagree
956.	KPMG ELLP	3.158.	We welcome the additional clarification provided by CEIOPS on what elements of Own Funds can count towards group Own Funds. It is important to understand which items of Own Funds will only be able to cover the SCR of the individual (re)insurance undertaking so items such as surplus in certain ring-fenced will not be able to contribute to group Own Funds. However, further guidance could be provided on some of the terms used (such as the intended meaning of "restricted availability").	Noted
957.	Munich RE	3.158.	Hybrid instruments are highly fungible as they can be transferred from one entity to another by loan agreement. They are indeed available for commitments of any entity within a group.	See 945
958.	Pearl Group Line	3.158.	Deferred taxes. We disagree with limiting deferred taxes to those eligible for covering the solo SCR. When assessing the appropriateness of deferred tax assets CEIOPS should also include the possibility for so called "fiscal grouping/unity" of legal entities within a fiscal jurisdiction. In such a case the scope should be widened to cover the SCR of all these	Agreed. See revised text

			entities within such a fiscal unity.	
959.	Royal Bank of Scotland Insurance	3.158.	What is meant by restricted availability?	Noted in CP
960.			Confidential comment deleted	
961.	UNESPA - Spanish Union of Insurance and Rein	3.158.	See comments on 3.193 (minority interests) If we consider what is established in: - 3.18 referring to the need to consider all parts of a group to ensure their understanding of all potential sources of risk within it. - 3.66 regarding the treatment of group participations, and that they should be based on economic principles rather than on each participation legal structure. - 3.112 in relation to the accounting consolidation method and its group consideration as a solo economic unit, in which it is assumed that any liability in the group can be cover by any asset. We understand, that relation with comments above, the consolidation approach used on accounting basis, should be also used under Solvency basis, since also is sustained under adequate economic principles for the solvency assessment. However, we do not understand the CEIOPS position related to the goodwill treatment (CP 46), and their deduction from eligible own funds, as the economic principles of the consolidation methods, considers they can have an economic value (unlike CEIOPS on CP 35), and therefore they should be recognise in any case. Without applying prudential filters that eliminate from the regulatory consolidated balance sheet assets with economic value, and therefore with potential capacity to absorb losses (3.139.2)	Disagree Out of the scope of that CP
962.	Association of British	3.159.	Supervisors should give explicit consideration to intra-group loans.	Disagree

	Insurers		In our opinion when assessing fungibility it should also be considered whether the solo undertaking is able to make an intra-group loan to transfer funds to another solo undertaking. The main restriction should be that no capital can leave the whole group e.g. the parent is not able to distribute any capital to its shareholders. If such a loan can be defined than that part of the own funds should be considered to be fungible	
963.	CEA, ECO-SLV-09-454	3.159.	Supervisors should give explicit consideration to intra-group loans. In our opinion when assessing the fungibility it should also be considered whether the solo undertaking is able to define a intra-group loan to transfer funds to another solo undertaking. The main restriction should be that no capital can leave the whole group e.g. the parent is not able to distribute any capital to its shareholders. If such a loan can be defined than that part of the own funds should be considered to be fungible.	Disagree
964.	European Insurance CFO Forum	3.159.	Comments in 3.133 are also relevant here.	Noted
965.	German Insurance Association – Gesamtverband der D	3.159.	Supervisors should give explicit consideration to intra-group loans. In our opinion when assessing the fungibility it should also be considered whether the solo undertaking is able to define a intra-group loan to transfer funds to another solo undertaking. The main restriction should be that no capital can leave the whole group e.g. the parent is not able to distribute any capital to its shareholders. If such a loan can be defined than that part of the own funds should be considered to be fungible.	Disagree
966.	Pearl Group Line	3.159.	Supervisors should give explicit consideration to intra-group loans. In our opinion when assessing the fungibility it should also be considered whether the solo undertaking is able to define a intra-	Disagree

			group loan to transfer funds to another solo undertaking. The main restriction should be that no capital can leave the whole group e.g. the parent is not able to distribute any capital to its shareholders. If such a loan can be defined than that part of the own funds should be considered to be fungible	
967.	CEA, ECO-SLV-09-454	3.160.	We do not believe that the recognition of balance sheet items was covered by CP35. CEA response to CP35: “We assume that the recognition of balance sheet items is not covered in this CP - We should state that IFRS does not only cover the valuation of balance sheet items, but also the recognition of certain items in the balance sheet. We assume that this CP only covers measurement issues and does not also encompass recognition issues.”	Noted
968.	German Insurance Association – Gesamtverband der D	3.160.	We do not believe that the recognition of balance sheet items was covered by CP35. CEA response to CP35: “We assume that the recognition of balance sheet items is not covered in this CP - We should state that IFRS does not only cover the valuation of balance sheet items, but also the recognition of certain items in the balance sheet. We assume that this CP only covers measurement issues and does not also encompass recognition issues.”	Noted
969.	AMICE	3.163.	More clarity is needed on the treatment of fungibility and transferability of the excess of assets over liabilities, and in particular regarding portfolio´s future profits. We believe that the nature of future profit business allows its total fungibility and transferability. We disagree with CEIOPS suggestion to limit its transferability, since the excess of assets over liabilities is defined after distributing the profit sharing among the policyholders. It is therefore fully available for the undertaking. In our opinion, not recognizing such	Disagree Noted As stated in CP CEIOPS recognises that with-profit business have different features across the EEA

			features departs from the market consistent valuation of the balance sheet.	See the revised text for further clarification
970.	CRO Forum	3.164.	We note that this is not entirely realistic, as the with-profits funds have a component which is shareholder transfers which are available to cover risks in other business lines. We do not agree with the assumption here that 100% of excess own funds in a with-profit fund are unavailable. There should be consistency in the approach between with-profit funds and ring-fenced funds.	Disagree/Noted As stated in CP CEIOPS recognises that with-profit business have different features across the EEA See the revised text for further clarification
971.	KPMG ELLP	3.164.	This paragraph refers to "not fully fungible". It would be helpful if CEIOPS could provide guidance as to how the allowed amount should be determined.	Noted
972.	CEA, ECO-SLV-09-454	3.166.	See comment to 3.168.	Noted
973.	AMICE	3.167.	See our comments to paragraph 3.164	Noted
974.	CEA, ECO-SLV-09-454	3.167.	Ceiops should give more explanations on the rationale for limiting with-profits. If Ceiops is referring to the share of profits that are allocated to the shareholders (vs the policyholder), we consider that this should clearly be part of own funds. For example, if unrealised gains on investments are allocated between the policyholders and the undertaking, due to with profit contract, the share allocated to the undertaking should be considered as own funds. In addition we propose a slight redrafting to clarify the existing wording: When own funds related to with-profits business are only available	Noted As stated in CP CEIOPS recognises that with-profit business have different features across the EEA See the revised text for further clarification

			to cover capital requirements in one undertaking of the group, they should be included in the calculation of the group own funds only in so far as they are eligible for covering the contribution to the SCR of the related undertaking to the group SCR.	
975.	FFSA	3.167.	The CEIOPS should give more explanations on why to limit the own funds relating to with-profit business, and what it is referring to. If CEIOPS is referring to the share of profits that are allocated to the shareholders (vs the policyholder), FFSA considers that this should clearly be part of own funds. For example, if unrealised gains on investments are allocated between the policyholders and the undertaking, due to with profit contracts, the share allocated to the undertaking should be considered as own funds.	See resolution of comment 974
976.	German Insurance Association – Gesamtverband der D	3.167.	CEIOPS should give more explanations on the rationale for limiting with-profits. If CEIOPS is referring to the share of profits that are allocated to the shareholders (vs the policyholder), we consider that this should clearly be part of own funds. For example, if unrealised gains on investments are allocated between the policyholders and the undertaking, due to with profit contract, the share allocated to the undertaking should be consdiered as own funds. In addition we propose a slight redrafting to clarify the existing wording: When own funds related to with-profits business are only available to cover capital requirements in one undertaking of the group, they should be included in the calculation of the group own funds only in so far as they are eligible for covering the contribution to the SCR of the related undertaking to the group SCR.	See resolution of comment 974
977.	KPMG ELLP	3.167.	We support this approach to with-profits from a group solvency perspective	Noted

978.	ROAM	3.167.	We disagree with CEIOPS suggestion to limit the transferability for with-profit funds, since the excess of assets on liabilities is established after distributing the profit sharing among the policyholders, being then fully available for the insurance undertaking. Not recognizing such features is in contradiction with the Solvency II principles of economic valuation of the balance sheet.	See resolution of comment 969
979.	CEA, ECO-SLV-09-454	3.168.	More clarification required as to the nature of the reduction. We also propose a slight redrafting suggestion to clarify the wording: "Moreover, the contribution of the with-profit business to the group SCR has to take into account a reduction due to the recognition of diversification benefits (as tested in QIS3 and QIS4)".	Noted
980.	German Insurance Association – Gesamtverband der D	3.168.	More clarification required as to the nature of the reduction. We also propose a slight redrafting suggestion to clarify the wording: "Moreover, the contribution of the with-profit business to the group SCR has to take into account a reduction due to the recognition of diversification benefits (as tested in QIS3 and QIS4)".	Noted
981.	ROAM	3.169.	We would need more guidance on the scope of ring-fenced funds. We agree that own funds covering ring-fenced funds are not transferable when the provisions of the fund do not allow any transfer of results between undertakings.	Noted
982.	AMICE	3.170.	More guidance is needed on the scope of ring-fenced funds. We agree that own funds covering ring-fenced funds may not be transferable when the provisions of the fund do not allow any transfer of results between undertakings.	Noted
983.	CEA, ECO-SLV-	3.170.	See comment to 3.172.	Disagree

	09-454			
984.	FFSA	3.170.	Could you please precise what type of fund are concerned by the term "ring-fenced funds", and in which cases ring-fenced funds can only contribute up to the proportional contribution of the ring fenced-fund capital requirement in the undertaking's SCR? Besides, dividends coming from ring fenced funds are integrated in the resources of the company as dividends on other kinds of portfolios (what is important to ckeck and what is ensured by companies models is that there is no mutualisation of profit sharing between 2 ring-fenced funds).	Noted
985.	CEA, ECO-SLV-09-454	3.171.	See comment to 3.172.	Disagree
986.	FFSA	3.171.	We would need more guidance on what is a ring-fenced funds. We agree that own funds of ring-fenced funds are not transferable if the fund provisions do not allow any transfer of results to the undertakings (cf. 3.170)	Noted
987.	KPMG ELLP	3.171.	We support the approach taken by CEIOPS to ring-fenced Own Funds	Noted
988.	Association of British Insurers	3.172.	We agree that own funds of ring-fenced funds are not transferable when the fund provisions do not allow a transfer. But we do not agree with other limitations to own funds in ring-fenced funds. We would like to point out that dividends coming from ring fenced funds are integrated in the resources of the company as are dividends on other kinds of investments.	Disagree
989.	CEA, ECO-SLV-09-454	3.172.	We agree that own funds of ring-fenced funds are not transferable when the fund provisions do not allow any transfer of results to the undertakings. However, in practice, future profits on ring-fenced funds are owned by the shareholders, and as such are fully	Disagree

			transferable or fungible. We do not agree with other limitations to own funds in ring-fenced funds. We would like to point out that dividends coming from ring fenced funds are integrated in the resources of the company as are dividends on other kinds of investments.	
990.	CRO Forum	3.172.	The CRO Forum agrees with the principle that ring-fenced fund can only contribute up to the proportional contribution of the RFF capital requirement in the undertaking's SCR. Ring fenced limitations should have regard to whether the funds are blocked until liabilities are extinguished and then become available and hence have a value or for example are dedicated to policyholders and can never accrue to other policyholders or the shareholders. There should be consistency in the approach between with-profit funds and ring-fenced funds.	Agreed/Noted
991.	FFSA	3.172.	We would need more guidance on what is a ring-fenced funds. We agree that own funds of ring-fenced funds are not transferable if the fund provisions do not allow any transfer of results to the undertakings (cf. 3.170). However, in practice, future profits on ring-fenced funds are owned by the shareholders, and as such are fully transferable or fungible. We propose not to put any limitation on ring-fenced own funds.	Disagree
992.	German Insurance Association – Gesamtverband der D	3.172.	We agree that own funds of ring-fenced funds are not transferable when the fund provisions do not allow any transfer of results to the undertakings. However, in practice, future profits on ring-fenced fudns are owned by the shareholders, and as such are fully transferably or fungible. We do not agree with other limitations to own funds in ring-fenced funds.	Disagree

			We would like to point out that dividends coming from ring fenced funds are integrated in the resources of the company as are dividends on other kinds of investments.	
993.	GROUPAMA	3.172.	We would need more guidance on what a ring-fenced fund is. We agree that own funds of ring-fenced funds should not be transferable if the fund provisions do not allow any transfer of results to the undertakings.	Noted
994.	KPMG ELLP	3.173.	We support the approach to Ancillary Own Funds set out in this paragraph. However, it is not clear whether this is intended to relate only to (re)insurance undertakings in the EEA, the EEA and equivalent jurisdictions or all (re)insurance undertakings, regardless of its location and supervisory authority involved. We believe it should be the middle option.	Noted
995.	CEA, ECO-SLV-09-454	3.174.	**[EMPTY]**	
996.	European Union member firms of Deloitte Touche Toh	3.174.	Ancillary own funds Paragraph 3.174 - Advice paragraphs 3.185 - 3.187 Paragraph 3.174 indicates CEIOPS' view that in addition to authorisation by the supervisor responsible for supervision of the related undertaking, the group supervisor in conjunction with the college of supervisors should assess the availability of ancillary own funds of a related undertaking and that they should be restricted to the related undertaking's share of group SCR. The CEIOPS advice does not specifically address ancillary own funds. We suggest that the CEIOPS advice paragraphs should address the ancillary own funds issues set out in paragraph 3.174.	Noted See revised text
997.	Association of British	3.176.	The distinction whether hybrid capital is considered to be equity or debt is mainly based on the possibility for an undertaking to avoid	Noted

	Insurers		the payment of cash towards the holders. If the entity is able to defer indefinitely the requirement to pay cash towards the holders then such a financial instrument is considered to be part of equity of an entity. When considering subordinated liabilities there is normally either the requirement to pay coupons or to pay the principal amount.	
998.	CEA, ECO-SLV-09-454	3.176.	The distinction whether hybrid capital is considered to be equity or debt is mainly based on the possibility for an undertaking to avoid the payment of cash towards the holders. If the entity is able to defer indefinitely the requirement to pay cash towards the holders than such a financial instrument is considered to be part of equity of an entity. When considering subordinated liabilities there is normally either the requirement to pay coupons or to pay the principal amount.	Noted
999.			Confidential comment deleted	
1,000.	AMICE	3.180.	Hybrid capital and subordinated debt is not considered as a transferable item. We disagree with this statement. Hybrid instruments and subordinated debt can be transferred from one entity to another by loan agreement; One entity within the group can settle subordinated debt (when having debt in excess of its SCR), to another of the same group when the latter is in breach of the SCR. These are current practices of financing optimization within a group	Partially agreed See revised text
1,001.	Association of British Insurers	3.180.	CEIOPS should distinguish between the EEA Group and the Worldwide Group, if different. We assume that if permission from the investors is received by the issuer of the hybrid capital and subordinated debt, it can be used for solvency purposes in the group, even if it is not held by the ultimate parent of the group. We also assume that intra-group hybrid capital can be presumed to be transferable and therefore can be used to cover group SCR. Clarification of this point would be appreciated Also it needs to be	Disagree

			clarified that hybrid capital held by an intermediate EEA holding company can be used to cover the group SCR of the relevant EEA sub-group headed by the intermediate holding company.	
1,002.	CEA, ECO-SLV-09-454	3.180.	See comment to 3.185.	Noted
1,003.	Investment & Life Assuarnce Group (ILAG)	3.180.	If such instruments are issued to a third party rather than a group company would this view be different?	Noted
1,004.	KPMG ELLP	3.180.	This paragraph states that subordinated debt issued at any level other than the ultimate parent undertaking within a group will not be eligible for consideration as group own funds. In practice, some groups have issued debt instruments at other levels (for example at intermediate holding company level) which currently counts as group capital, being genuine external financing of the group. Even if all the requirements of CP46 were met such that it met one of the Own Funds tiered capital definitions, this would cease to count as Group Own Funds, absent any transitional grandfathering arrangements. Consistent with our comments on CP 46. we recommend that CEIOPS considers whether some transitional arrangements can be made in respect of such instruments. This reinforces that under Solvency II, all hybrid instruments would need to be issued either by the (re)insurance undertaking itself or by its ultimate parent undertaking.	Noted
1,005.	Solvency II Legal Group	3.180.	CP 60 proposes restrictions on the use of excess own funds based on two tests – namely, fungibility and transferability (paragraph	Partially agreed

	This response reflects the		3.137). In principle, we consider these tests to be a helpful aid in determining when own funds might be restricted for group solvency purposes. In a number of instances, however, the reasons for suggesting a restricted treatment are unclear and in general we consider the approach taken in the CEIOPS advice to be too prescriptive. This is particularly the case for the proposed limitations on hybrid instruments and subordinated liabilities issued other than out of an ultimate parent (paragraph 3.180). It is not clear to us why CEIOPS takes the view as a matter of principle that a hybrid instrument or subordinated liability is not transferable or fungible. Moreover, even if that view were to be accepted, the advice does not take into account the possibility that the terms of the instrument might allow substitution of another group entity. Nor does it take into account the possibility that the instrument is issued by a financing entity and guaranteed by the parent. In addition, the advice does not recognise the possibility that the instrument is issued by an intermediate holding company below the ultimate parent; there seems to us to be no reason in that situation why the funds could not be counted for the purposes of all of the subsidiary undertakings of that intermediate company. Difficulties could also arise if a group were taken over; in that case, own funds at the ultimate parent level of the group that is taken over would convert from being unrestricted to being effectively unavailable for group purposes (because they would no longer be issued by the ultimate parent) without any change in the nature of the funds in question.	See revised text
1,006.	AAS BALTA	3.181.	We agree with the proposed treatment for hybrid debt and subordinated liabilities in that if they are raised by an undertaking other than the ultimate parent they are only available to cover the group SCR in so far as they are admitted to cover the SCR of the related undertaking.	Noted

1,007.	AB Lietuvos draudimas	3.181.	We agree with the proposed treatment for hybrid debt and subordinated liabilities in that if they are raised by an undertaking other than the ultimate parent they are only available to cover the group SCR in so far as they are admitted to cover the SCR of the related undertaking.	Noted
1,008.			Confidential comment deleted	
1,009.	CEA, ECO-SLV-09-454	3.181.	See comment to 3.185.	noted
1,010.	DENMARK: Codan Forsikring A/S (10529638)	3.181.	We agree with the proposed treatment for hybrid debt and subordinated liabilities in that if they are raised by an undertaking other than the ultimate parent they are only available to cover the group SCR in so far as they are admitted to cover the SCR of the related undertaking.	Noted
1,011.	Link4 Towarzystwo Ubezpieczeń SA	3.181.	We agree with the proposed treatment for hybrid debt and subordinated liabilities in that if they are raised by an undertaking other than the ultimate parent they are only available to cover the group SCR in so far as they are admitted to cover the SCR of the related undertaking.	Noted
1,012.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.181.	We agree with the proposed treatment for hybrid debt and subordinated liabilities in that if they are raised by an undertaking other than the ultimate parent they are only available to cover the group SCR in so far as they are admitted to cover the SCR of the related undertaking.	Noted
1,013.	RSA Insurance Group PLC	3.181.	We agree with the proposed treatment for hybrid debt and subordinated liabilities in that if they are raised by an undertaking other than the ultimate parent they are only available to cover the group SCR in so far as they are admitted to cover the SCR of the	Noted

			related undertaking.	
1,014.	RSA Insurance Ireland Ltd	3.181.	We agree with the proposed treatment for hybrid debt and subordinated liabilities in that if they are raised by an undertaking other than the ultimate parent they are only available to cover the group SCR in so far as they are admitted to cover the SCR of the related undertaking.	Noted
1,015.	RSA - Sun Insurance Office Ltd.	3.181.	We agree with the proposed treatment for hybrid debt and subordinated liabilities in that if they are raised by an undertaking other than the ultimate parent they are only available to cover the group SCR in so far as they are admitted to cover the SCR of the related undertaking.	Noted
1,016.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.181.	We agree with the proposed treatment for hybrid debt and subordinated liabilities in that if they are raised by an undertaking other than the ultimate parent they are only available to cover the group SCR in so far as they are admitted to cover the SCR of the related undertaking.	Noted
1,017.	CEA, ECO-SLV-09-454	3.182.	See comments to 3.143 and 3.185.	Noted
1,018.	CEA, ECO-SLV-09-454	3.183.	See comment to 3.187.	Noted
1,019.	AMICE	3.185.	14. CEOIOS writes that subordinated debt and hybrid capital should be considered as a transferable item. In our opinion it is possible to settle a subordinated debt from one entity of a group (when having debt in excess of its SCR), to another of the same group when the latter is in breach of the SCR. These are current practices of financing optimization within a group.	Disagree/Noted

1,020.	Association of British Insurers	3.185.	Hybrid instruments are highly fungible as they can be transferred from one entity to another by loan agreement. They are indeed available for commitments of any entity within a group.	Disagree/Noted
1,021.	CEA, ECO-SLV-09-454	3.185.	Hybrid capital and subordinated liabilities are transferable. We do not understand the sentence "hybrid capital and subordinated debts cannot, in principle, be considered as available to cover the SCR of the participating undertaking if it is not issues or by the ultimate parent undertaking". In our opinion Ceiops should also consider hybrid capitals/subordinated debt issued at a sub group level, not by the ultimate parent as long as the capital is provided by a non-related party. Thus in the case of subgroups hybrids and subordinated liabilities will also be able to cover all the solo entities within that sub group by means of a capital increase or (subordinated) loan agreement. In the case of dividend payments to a parent company and possibly capital increases to other entities within the group afterwards the capital will be available to cover all entities within the group as long as for the entities involved capital requirements at solo level are met. Therefore hybrid instruments and subordinated instruments must be considered highly fungible, as capital can be used to cover risks within the whole group and highly transferable, as capital can be moved throughout the group.	Disagree/Noted
1,022.			Confidential comment deleted	
1,023.	European Union member firms of Deloitte Touche Toh	3.185.	Hybrid capital – Paragraphs 3.175 -3.184 - Advice paragraphs 3.185 - 3.187 CEIOPS advise that hybrid capital issued by undertakings other than the ultimate parent undertaking should be restricted to the contribution to group SCR of the related undertaking. The CEIOPS advice notes that hybrid capital equity instruments with debt like features and debt instruments with equity like features are	Noted

			commonly referred to as hybrid capital. We suggest that there should be a clear definition of hybrid capital linked to the classification of own funds as set out in CP46 in order to ensure consistency of treatment of hybrid capital in the group eligible own funds.	
1,024.	FFSA	3.185.	We do not understand the sentence "hybrid capital and subordinated debts cannot, in principle, be considered as available to cover the SCR of the participating undertaking if it is not issued or by the ultimate parent undertaking. We do not understand why subordinated debt is not considered as transferable. We think that it is possible to settle a subordinated debt from one entity of a group with subordinated debt in surplus (excess of covering its SCR), to an other one of the same group if the solvency position of the last one is an issue. It is part of the financing optimization of a group.	Disagree/Noted
1,025.	German Insurance Association – Gesamtverband der D	3.185.	Hybrid capital and subordinated liabilities are transferable. We do not understand the sentence "hybrid capital and subordinated debts cannot, in principle, be considered as available to cover the SCR of the participating undertaking if it is not issues or by the ultimate parent undertaking". In our opinion CEIOPS should also consider hybrid capitals/subordinated debt issued at a sub group level, not by the ultimate parent as long as the capital is provided by a non-related party. Thus in the case of subgroups hybrids and subordinated liabilities will also be able to cover all the solo entities within that sub group by means of a capital increase or (subordinated) loan agreement. In the case of dividend payments to a parent company and possibly capital increases to other entities within the group afterwards the capital will be available to cover all entities within the group as long as for the entities involved capital requirements	Disagree/Noted

			at solo level are met. Therefore hybrid instruments and subordinated instruments must be considered highly fungible, as capital can be used to cover risks within the whole group and highly transferable, as capital can be moved throughout the group.	
1,026.	Legal & General Group	3.185.	Wording here needs to be clarified to ensure that capital issued by a subsidiary of the parent (but one that legally allows full access to the capital by the parent) is allowed to be included in the capital available. Also applies to 3.186 and 3.187	Noted
1,027.	Munich RE	3.185.	Delete paragraph: Refer to 3.158: Hybrid instruments are highly fungible as they can be transferred from one entity to another by loan agreement. They are indeed available for commitments of any entity within a group.	Disagree
1,028.	ROAM	3.185.	**[EMPTY]**	
1,029.			Confidential comment deleted	
1,030.	CEA, ECO-SLV-09-454	3.186.	See comments to 3.143 and 3.185. Hybrid capital and subordinated liabilities issued by undertakings other than the ultimate parent undertaking shall be admitted for covering the SCR of the whole group. Even if those kinds of capital are not eligible at solo level (e.g. because the share of Tier 2 capital is too high) it may be possible to include the capital at group level (e.g. as at group level limits on Tier 2 capital are not yet met). We do not understand the comment on diversification. At group level diversification effects will apply resulting in a reduction of capital requirements at group level compared to the sum of required capitals of all solo entities. Regarding the own funds only intra group transactions must be eliminated, no diversification benefits will be applicable.	Disagree/Noted

1,031.	CRO Forum	3.186.	CEIOPS states that hybrids or subordinated debt of a subsidiary do not necessarily contribute to group available capital due to constraint fungibility. This may be an issue for past issued instruments. This paragraph reinforces the fact that all hybrids should be issued at Group level. We suggest also CEIOPS to recognise that debt may be issued through non insurance subsidiaries with redemptions defined by surplus in other group entitites. Substance not form should apply.	Disagree/Noted
1,032.	FFSA	3.186.	FFSA considers that subordinated instruments that are issued by undertakings other than the ultimate parent shall be fully admitted as own funds, as long as they are held by non-related parties.	Disagree/Noted
1,033.	German Insurance Association – Gesamtverband der D	3.186.	See comments to 3.143 and 3.185. Hybrid capital and subordinated liabilities issued by undertakings other than the ultimate parent undertaking shall be admitted for covering the SCR of the whole group. Even if those kinds of capital are not eligible at solo level (e.g. because the share of Tier 2 capital is too high) it may be possible to include the capital at group level (e.g. as at group level limits on Tier 2 capital are not yet met). We do not understand the comment on diversification. At group level diversification effects will apply resulting in a reduction of capital requirements at group level compared to the sum of required capitals of all solo entities. Regarding the own funds only intra group transactions must be eliminated, no diversification benefits will be applicable.	Disagree/Noted
1,034.	KPMG ELLP	3.186.	See 3.180	Noted
1,035.	Legal & General Group	3.186.	As per 3.185	Noted

1,036.	Munich RE	3.186.	Delete paragraph: Refer to 3.158: Hybrid instruments are highly fungible as they can be transferred from one entity to another by loan agreement. They are indeed available for commitments of any entity within a group.	Disagree
1,037.	Association of British Insurers	3.187.	We propose a slight redrafting of this paragraph: "Hybrid capital instrument and subordinated liabilities The same instruments issued by an undertaking operating in another financial sector can contribute to the coverage of the group SCR only in so far as they are eligible to meet capital adequacy requirements as provided for established in applicable sectoral legislation, and only within the limits provided therein". See also comments under 3.185.	Agreed
1,038.	CEA, ECO-SLV-09-454	3.187.	We propose a slight redrafting of this paragraph: "Hybrid capital instrument and subordinated liabilities The same instruments issued by an undertaking operating in another financial sector can contribute to the coverage of the group SCR only in so far as they are eligible to meet capital adequacy requirements as provided for established in applicable sectoral legislation, and only within the limits provided therein". See also comment to 3.185.	Agreed
1,039.	FFSA	3.187.	We agree with the CEIOPS recommendation. The recognition of banking capital in the overall insurance group capital means that solvency II defintion of own funds needs to be closely aligned with the banking definition of own funds. Otherwise, if the solvency II framework ends up setting more or less restrictive standards, it would create a competition distortion between bancassurance groups and insurers. One such area is the definition of hybrid Tier 1 and Tier2'	Noted
1,040.	German Insurance Association –	3.187.	We propose a slight redrafting of this paragraph: "Hybrid capital instrument and subordinated liabilities The same instruments issued by an undertaking operating in another financial sector can contribute to the coverage of the group SCR only in so far as they	Agreed

	Gesamtverband der D		are eligible to meet capital adequacy requirements as provided for established in applicable sectoral legislation, and only within the limits provided therein". See also comment to 3.185.	
1,041.	Legal & General Group	3.187.	As per 3.185	Noted
1,042.	Munich RE	3.187.	Delete paragraph: Refer to 3.158: Hybrid instruments are highly fungible as they can be transferred from one entity to another by loan agreement. They are indeed available for commitments of any entity within a group.	Disagree
1,043.	Association of British Insurers	3.190.	In some cases minority interests shares in any excess of own funds (above the solo SCR) of the consolidated entity are available for use elsewhere in a group, e.g. if the minority interest has agreed to also cover for any loss incurred by the insurer. We therefore ask for the paragraph to be redrafted to reflect this.	Disagree
1,044.	CEA, ECO-SLV-09-454	3.190.	In some cases minority interests shares in any excess of own funds (above the solo SCR) of the consolidated entity are available for use elsewhere in a group. This is if the minority interest has agreed to also cover for any loss incurred by the insurer. We therefore ask for the paragraph to be redrafted to reflect this. The advice in 3.194 should also be redrafted.	Disagree
1,045.	German Insurance Association – Gesamtverband der D	3.190.	In some cases minority interests shares in any excess of own funds (above the solo SCR) of the consolidated entity are available for use elsewhere in a group. This is if the minority interest has agreed to also cover for any loss incurred by the insurer. We therefore ask for the paragraph to be redrafted to reflect this. The advice in 3.194 should also be redrafted.	Disagree

1,046.	KPMG ELLP	3.190.	We support the rationale behind the treatment of minority interests as outlined in this paragraph – where the accounting consolidation approach is used, the group SCR will be calculated based on 100% of the regulatory balance sheet and therefore to meet the proportionality principle in the Level 1 text, this adjustment is required.	Noted
1,047.	UNESPA - Spanish Union of Insurance and Rein	3.190.	Minorities are available 100% at solo level. This means they should be available at group level.	Disagree
1,048.	Association of British Insurers	3.191.	When consolidating all the solo entities also the minority interest is consolidated. Therefore an additional requirement is not necessary. If the requirement is defined as that any minority interest on group level are not able to cover the SCR unless the minority interest has agreed to cover for any losses up to their share.	Disagree
1,049.	CEA, ECO-SLV-09-454	3.191.	When consolidating all the solo entities also the minority interest is consolidated. Therefore an additional requirement is not necessary. If the requirement is defined as that any minority interest on group level are not able to cover the SCR unless the minority interest has agreed to cover for any losses up to their share.	Disagree
1,050.	German Insurance Association – Gesamtverb and der D	3.191.	When consolidating all the solo entities also the minority interest is consolidated. Therefore an additional requirement is not necessary. If the requirement is defined as that any minority interest on group level are not able to cover the SCR unless the minority interest has agreed to cover for any losses up to their share.	Disagree
1,051.	Association	3.193.	See comments under 3.190	Noted

	of British Insurers			
1,052.	CEA, ECO-SLV-09-454	3.193.	See comment to 3.190.	Noted
1,053.	UNESPA - Spanish Union of Insurance and Rein	3.193.	As the contribution of minorities to the group SCR is limited to their contribution at solo level, all excess of capital over their percentage of SCR should be available at group level however it won't be capital of the highest quality. Diversification benefits have nothing to do with minority interest, which participate only of a portion of the overall P&L, where the diversification benefits are going to be found. If so, diversification is only a benefit at group level, and has to be isolated from the minority interests at solo level. Minority interest are at solo level to cope with either benefits or loses of that entity, that is why, to avoid an additional volatility of capital at Group level (because of the changing portion of minorities or because of the volatility of the SCR) minority interest in excessof their SCR should be capital. Minority interest should be analyse considering availability instead of diversification benefits point of view CEIOPS considers that in dominant influence cases, the consolidation must be full or proportional integration, and minority interests arising in the consolidated balance sheet, would be eligible own funds to cover part of the group SCR. (See 3.70 and 3,158). However, it states that the contribution to cover the group SCR has to consider the reduction of the diversification benefits, so that any excess of minority capital requirements would not be available at a group level (see 3,194). In our view, we understand that the different cases of minority interests are not as linked with the diversification benefits	Disagree

			reduction, as with the availability of such funds at a group level, so we consider that if the contribution of these resources to cover the SCR of the group is limited, rather than limiting any coverage excess at an individual level depending on the proportion, there should be a specific analysis of the cases in which the availability contribution to the group's solvency beyond the general level established in 3.134 could be reasonably justify.	
1,054.	Association of British Insurers	3.194.	See comments under 3.190 and 3.191	Noted
1,055.	CEA, ECO-SLV-09-454	3.194.	See comment to 3.190 and 3.191.	Noted
1,056.	UNESPA - Spanish Union of Insurance and Rein	3.194.	See comments on 3.193.	Noted
1,057.	Association of British Insurers	3.195.	The definition "of the group" in this paragraph is unclear. Is it the ultimate parent company in a non-equivalent country, or is it the EEA holding company level (including any non-EEA subsidiaries)? Given the statements that follow in paragraphs 3.197 to 3.199, only the second definition appears practicable.	Noted
1,058.	DIMA (Dublin International Insurance & Management	3.195.	It is unclear how own funds in a non-EEA member branch would be used, in particular branch capital localised in the third country.	Noted
1,059.			Confidential comment deleted	

1,060.	CEA, ECO-SLV-09-454	3.199.	It would be helpful to give precise criteria defining restrictions to the fungibility and transferability.	Noted
1,061.	FFSA	3.199.	It would be helpful to precise criteria defining restrictions to the fungibility and transferability	Noted
1,062.	CEA, ECO-SLV-09-454	3.200.	See comment to 3.143.	Noted
1,063.			Confidential comment deleted	
1,064.	CEA, ECO-SLV-09-454	3.201.	We believe a difference should be made between Solvency ratio and fungibility. The two concepts should not be confused. See comment to 3.150.	Noted
1,065.			Confidential comment deleted	
1,066.	DIMA (Dublin International Insurance & Management	3.201.	Regardless of whether the undertaking is within the EEA, if funds are available to the group they should be included in the group own funds.	Disagree
1,067.	European Insurance CFO Forum	3.201.	The guidelines around application of diversification, transferability and fungibility principles for non-EEA entities are unclear. The guidance focuses on situations when non-EEA funds cannot be taken into consideration but does not include a clear statement of when they can be included. Recognition of the group-wide benefits from a non-EEA country is not necessarily more challenging than for EEA operations and should be allowed on a basis that is consistent across all	Disagree

			operations. Since the group SCR considers risk from all insurance undertakings, the allowance for diversification benefits and fungibility should be on a consistent basis regardless of whether in the EEA, or in a non-EAA country with or without an equivalent solvency regime. The delay until guidelines on equivalence are established will have practical implications for the development of internal models where groups need to consider how they treat each solo undertaking.	
D	FFSA	3.201.	"The sum of the excess own funds identified as non fungible or non transferable in non EEA undertakings should be deducted from group own funds." FFSA believes a difference should be made between Solvency ratio and fungibility. The two concepts should not be mixed up. (see 3.150)	Noted
1,069.	German Insurance Association – Gesamtverb and der D	3.201.	We believe a difference should be made between Solvency ratio and fungibility. The two concepts should not be confused. See comment to 3.150.	Noted
1,070.	KPMG ELLP	3.201.	We agree with this proposal	Noted
1,071.	Association of British Insurers	3.202.	We disagree with the reduction due to the recognition of diversification benefits in group own funds. If the group can prove than the diversification effects exist, then the excess of capital in non EEA entities could be recognized as fungible on a case by case basis and so should not be deducted from the group own funds. See also comments under 3.143.	Noted
1,072.	CEA,	3.202.	We disagree with the reduction due to the recognition of	Noted

	ECO-SLV-09-454		diversification benefits in group own funds. If the group can prove than the diversification effects exist, then the excess of capital in non-EEA entities could be recognized as fungible on a case by case basis and so should not be deducted from the group own funds. See also comment to 3.143.	
1,073.	CRO Forum	3.202.	For non-EEA entities, we disagree with the reduction due to the non-recognition of diversification benefits in group own funds. If the group can prove than the assets in front of diversification could be recognized as fungible on a case by case basis then it should not be deducted from the group own funds. Then it should be clarified what type of diversification is mentioned in this paragraph (diversification between lines of business in non EEA entities, diversification between EEA and non EEA countries, diversification between non EEA countries, ..).	Noted
1,074.	European Insurance CFO Forum	3.202.	Comments in 3.201 are also relevant here	Noted
1,075.	FFSA	3.202.	FFSA disagrees with the reduction due to the recognition of diversification benefits in group own funds. If the group can prove than the diversification could be recognized as fungible on a case by case basis then it should not be deducted from the group own funds. Then it should be clarified what type of diversification is mentioned in this paragraph (diversification between lines of business in non EEA entities, diversification between EEA and non EEA countries, diversification between non EEA countries, ..) .	Noted
1,076.			Confidential comment deleted	
1,077.	German Insurance Association	3.202.	We disagree with the reduction due to the recognition of diversification benefits in group own funds.	Noted

	– Gesamtverband der D		If the group can prove than the diversification effects exist, then the excess of capital in non-EEA entities could be recognized as fungible on a case by case basis and so should not be deducted from the group own funds.	
1,078.	Groupe Consultatif	3.202.	According to level 1 Art.220 and QIS 4, non-transferable solo available capital contributes to the group available capital only up to the amount of the solo SCR, i.e. limits on the transferability of capital result in a reduction of group available capital while the group SCR based on the consolidated approach is not affected. We understand that this own fund 'haircut' solely looks at the initial position of the group economic balance sheet, i.e. the fact that there might be different limitations on fungibility in stress situations is not considered. We understand that CEIOPS wants to address this in section 3.4.4 but it is not clear how should be seen in the context to the fungibility haircut of own funds and whether or not any allowance within the group SCR is envisaged.	Noted
1,079.	KPMG ELLP	3.202.	Consistent with our comments throughout this response, we disagree with a reduction in non-EEA entity excess ain respect of diversification benefits.	Noted
1,080.	Pearl Group Line	3.202.	We disagree with the reduction due to the recognition of diversification benefits in group own funds. If the group can prove than the diversification effects exist, then the excess of capital in non EEA entities could be recognized as fungible on a case by case basis and so should not be deducted from the group own funds.	Noted
1,081.	Royal Bank of Scotland Insurance	3.202.	Own funds should not reduce due to recognition of diversification benefits in group own funds.	Disagree
1,082.	UNESPA - Spanish Union of	3.203.	See comments on 3.217.	Noted

	Insurance and Rein			
1,083.	UNESPA - Spanish Union of Insurance and Rein	3.204.	See comments on 3.217.	Noted
1,084.	KPMG ELLP	3.205.	Some guidance on the extent of foresight required would be helopful.	Noted
1,085.	UNESPA - Spanish Union of Insurance and Rein	3.205.	See comments on 3.217.	Noted
1,086.	CRO Forum	3.206.	CROF opposes footnote 11. The value in subs should not be ignored.	Disagree
1,087.	Groupe Consultatif	3.206.	The approach to the value of subsidiaries in footnote 11 is unduly restrictive. Capital held in subsidiaries may be 'locked in' by local regulation but may be made available to meet liabilities elsewhere by a number of arrangements including sale of the subsidiary. As the need is for cash when liabilities are due for payment there is no need for an instant sale, indeed insurance companies do not overnight fail to meet liabilities and there is an extended period in which to achieve a reorganization of the resources available.	Disagree
1,088.	UNESPA - Spanish Union of Insurance and Rein	3.206.	See comments on 3.217.	Noted

1,089.	Association of British Insurers	3.209.	Solvency II determines that firms' are responsible for risk management, and consequently they should make the assessment – which subsequently would be checked by the supervisors.	Noted
1,090.	CEA, ECO-SLV-09-454	3.209.	Solvency II determines that firms' are responsible for risk management, and consequently they should make the assessment – which subsequently would be checked by the supervisors. The option for the supervisor to make the decision could foster overly prudent and non-economic approaches: it could also expose supervisors to the perception of increased liability.	Disagree
1,091.	Pearl Group Line	3.209.	Solvency II determines that firms' are responsible for risk management, and consequently they should make the assessment – which subsequently would be checked by the supervisors.	Noted
1,092.	CRO Forum	3.211.	See our comment on §3.218	Noted
1,093.	Association of British Insurers	3.213.	When assessing the timeline for transferring own funds, the time restrictions allowed within the recovery plan (breach of the SCR) and short term financing plan (breach of the MCR) should be considered and not a more restrictive notion of timing.	Noted
1,094.	FFSA	3.213.	FFSA strictly disagrees with this paragraph. The solvency has to be evidenced in a going concern scenario, not under stress test scenarios.	Noted
1,095.	KPMG ELLP	3.213.	It would be useful for CEIOPS to provide guidance on the stresses that it expects groups to consider. This will ensure that the approach to transferability of Own Funds across Europe is consistent.	Noted
1,096.	Association of British Insurers	3.214.	The transfer does not necessarily imply selling assets. The undertaking who is transferring money can also assume some of the liabilities of the other entity or can provide for a guarantee which could act as ancillary own funds to increase the eligible own	Noted

			funds. Thus there are many alternatives other than selling assets which can have a pro-cyclical effect.	
1,097.	CEA, ECO-SLV-09-454	3.214.	The transfer does not necessarily imply selling assets. The undertaking who is transferring money can also assume some of the liabilities of the other entity or can provide for a guarantee which could act as ancillary own funds to increase the eligible own funds. Thus there are many alternatives than selling assets which can have a pro-cyclical effect.	Noted
1,098.	CRO Forum	3.214.	It appears that the current wording confuses liquidity and transferability, which are 2 distinct concepts.	Disagree
1,099.	Royal Bank of Scotland Insurance	3.214.	The transfer of assets / own funds should not imply selling assets. The transferor should be allowed to assume some of the liabilities of the other entity or provide a guarantee to cover these liabilities.	Noted
1,100.	AAS BALTA	3.215.	We agree with CEIOPS assessment that the transferability of own funds is not a simple or a static consideration (3.217) and welcome the use of scenario & stress testing in order to assess transferability in a stressed scenario. This analysis should also provide a better understanding of the necessary timing for the own funds transfer and hence whether liquidity does create an issue.	Noted
1,101.	AB Lietuvos draudimas	3.215.	We agree with CEIOPS assessment that the transferability of own funds is not a simple or a static consideration (3.217) and welcome the use of scenario & stress testing in order to assess transferability in a stressed scenario. This analysis should also provide a better understanding of the necessary timing for the own funds transfer and hence whether liquidity does create an issue.	Noted
1,102.	Association of British Insurers	3.215.	Whilst non EEA parents would provide support to the EEA entities in crisis situations, we do not necessarily envisage evaluating stress scenarios for the worldwide entities which, though related companies, are beyond management influence and control of the	Noted

			EEA entities.	
1,103.	DENMARK: Codan Forsikring A/S (10529638)	3.215.	We agree with CEIOPS assessment that the transferability of own funds is not a simple or a static consideration (3.217) and welcome the use of scenario & stress testing in order to assess transferability in a stressed scenario. This analysis should also provide a better understanding of the necessary timing for the own funds transfer and hence whether liquidity does create an issue.	Noted
1,104.			Confidential comment deleted	
1,105.	KPMG ELLP	3.215.	We support this approach to stress scenario analysis. However, it is not clear to what extent this should, if at all, be taken into account in the reported group solvency assessment. Given the public SFCR requirements, we believe it important that a consistent approach is adopted across the EEA in this regard.	Agreed
1,106.	Link4 Towarzystwo Ubezpieczeń SA	3.215.	We agree with CEIOPS assessment that the transferability of own funds is not a simple or a static consideration (3.217) and welcome the use of scenario & stress testing in order to assess transferability in a stressed scenario. This analysis should also provide a better understanding of the necessary timing for the own funds transfer and hence whether liquidity does create an issue.	Noted
1,107.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.215.	We agree with CEIOPS assessment that the transferability of own funds is not a simple or a static consideration (3.217) and welcome the use of scenario & stress testing in order to assess transferability in a stressed scenario. This analysis should also provide a better understanding of the necessary timing for the own funds transfer and hence whether liquidity does create an issue.	Noted
1,108.	RSA Insurance Group PLC	3.215.	We agree with CEIOPS assessment that the transferability of own funds is not a simple or a static consideration (3.217) and welcome the use of scenario & stress testing in order to assess transferability in a stressed scenario. This analysis should also provide a better understanding of the necessary timing for the own funds transfer	Noted

			and hence whether liquidity does create an issue.	
1,109.	RSA Insurance Ireland Ltd	3.215.	We agree with CEIOPS assessment that the transferability of own funds is not a simple or a static consideration (3.217) and welcome the use of scenario & stress testing in order to assess transferability in a stressed scenario. This analysis should also provide a better understanding of the necessary timing for the own funds transfer and hence whether liquidity does create an issue.	Noted
1,110.	RSA - Sun Insurance Office Ltd.	3.215.	We agree with CEIOPS assessment that the transferability of own funds is not a simple or a static consideration (3.217) and welcome the use of scenario & stress testing in order to assess transferability in a stressed scenario. This analysis should also provide a better understanding of the necessary timing for the own funds transfer and hence whether liquidity does create an issue.	Noted
1,111.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.215.	We agree with CEIOPS assessment that the transferability of own funds is not a simple or a static consideration (3.217) and welcome the use of scenario & stress testing in order to assess transferability in a stressed scenario. This analysis should also provide a better understanding of the necessary timing for the own funds transfer and hence whether liquidity does create an issue.	Noted
1,112.	ACA – ASSOCIATIO N DES COMPAGNIE S D'ASSURAN CES DU	3.216.	We suppose that every group is responsible for the analysis of the transferability of own funds in crisis situations and has to determine the appropriate scenarios. Would that mean that the supervisor has to give his verdict about the adequacy of this analysis?	Noted
1,113.			Confidential comment deleted	
1,114.	AAS BALTA	3.217.	We agree with CEIOPS assessment that the transferability of own funds is not a simple nor a static consideration.	Noted
1,115.	AB Lietuvos	3.217.	We agree with CEIOPS assessment that the transferability of own	Noted

	draudimas		funds is not a simple nor a static consideration.	
1,116.	Association of British Insurers	3.217.	We agree the assessment of the transferability of own funds is not a simple nor a static consideration.	Noted
1,117.	CEA, ECO-SLV-09-454	3.217.	We agree that the assessment of the transferability of own funds is not a simple or a static consideration.	Noted
1,118.	DENMARK: Codan Forsikring A/S (10529638)	3.217.	We agree with CEIOPS assessment that the transferability of own funds is not a simple nor a static consideration.	Noted
1,119.	FFSA	3.217.	FFSA would like the CP to precise the period, frequency and detailed means to assess the transferability of own funds.	Noted
1,120.	German Insurance Association – Gesamtverb and der D	3.217.	We agree that the assessment of the transferbaility of own funds is not a simple or a static consideration.	Noted
1,121.	Groupe Consultatif	3.217.	See 218	Noted
1,122.	Link4 Towarzystw o Ubezpieczeń SA	3.217.	We agree with CEIOPS assessment that the transferability of own funds is not a simple nor a static consideration.	Noted
1,123.	NORWAY: Codan	3.217.	We agree with CEIOPS assessment that the transferability of own funds is not a simple nor a static consideration.	Noted

	Forsikring (Branch Norway) (991 502			
1,124.	RSA Insurance Group PLC	3.217.	We agree with CEIOPS assessment that the transferability of own funds is not a simple nor a static consideration.	Noted
1,125.	RSA Insurance Ireland Ltd	3.217.	We agree with CEIOPS assessment that the transferability of own funds is not a simple nor a static consideration.	Noted
1,126.	RSA - Sun Insurance Office Ltd.	3.217.	We agree with CEIOPS assessment that the transferability of own funds is not a simple nor a static consideration.	Noted
1,127.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.217.	We agree with CEIOPS assessment that the transferability of own funds is not a simple nor a static consideration.	Noted
1,128.	UNESPA - Spanish Union of Insurance and Rein	3.217.	The transferability assessment of own funds should be defined properly to avoid subjective interpretations CEIOPS should better define the limitations on the transferability of own funds, since the current treatment is subjective, and produces legal uncertainty on the tasks to be accomplished to reduce negative effects in the undertaking’s solvency, as well as the limitations to establish in crisis periods, in which the conditions are not well defined either. (See 3.219) In paragraphs 3.204-3.206 the restrictions on the transferability of own funds are not well detailed, and CEIOPS leaves this issues to the supervisor’s discretion (see 3.203).	Noted

1,129.	Association of British Insurers	3.218.	It is likely that a transfer of own funds might result in less liquid own funds as liquid assets of the transferring undertaking are exchanged for e.g. less liquid receivables. However, it should be clarified that this does not automatically result in a negative effect for the policyholders as this otherwise this would imply that a priori all own funds are classified as non-transferable and depending on the supervisor some might classify as transferable. The main test should relate to the likelihood of a breach of SCR and the overall adequacy of technical provisions.	Disagree
1,130.	CEA, ECO-SLV-09-454	3.218.	This paragraph leaves it open what is among the negative effects of transferring own funds that can undermine the interests of policyholders. It is likely that a transfer of own funds might result in less liquid own funds of the transferring undertaking as liquid assets of the transferring undertaking are exchanged for e.g. less liquid receivables. However, it should be clarified that this does not automatically result a negative effect for the policyholders as this otherwise would imply that a priori all own funds are classified as non-transferable and depending on the supervisor some might classify as transferable. The main test should relate to the likelihood of a breach of the SCR and overall adequacy of technical provisions.	Disagree
1,131.	CRO Forum	3.218.	Any transfer produces negative effect on the transferor. CEIOPS comment needs moderation. It should refer to the transfer resulting in breach of solvency requirements This paragraph leaves it open what is among the negative effects of transferring own funds that can undermine the interests of policyholders. It is likely that a transfer of own funds results in less liquid own funds of the transferring undertaking as liquid assets of the transferring undertaking are exchanged for e.g. less liquid	Disagree

			receivables. It should be clarified that this does not automatically results in the assessment of a supervisor to be of negative effect for the policyholders as this otherwise would imply that a priori all own funds are classified as non-transferable and depending on the supervisor some might classify as transferable.	
1,132.	German Insurance Association – Gesamtverband der D	3.218.	This paragraph leaves it open what is among the negative effects of transferring own funds that can undermine the interests of policyholders. It is likely that a transfer of own funds might result in less liquid own funds of the transferring undertaking as liquid assets of the transferring undertaking are exchanged for e.g. less liquid receivables. However, it should be clarified that this does not automatically result a negative effect for the policyholders as this otherwise would imply that a priori all own funds are classified as non-transferable and depending on the supervisor some might classify as transferable. The main test should relate to the likelihood of a breach of the SCR and overall adequacy of technical provisions.	Disagree
1,133.	Groupe Consultatif	3.218.	We find the description of transferability of own funds not very clear. While the calculation is focussed on the base case in the sections before, here, some additional considerations for crisis situations are made. We believe that further guidance is necessary to clearly lay out the objectives to be achieved at group level, i.e. what level of capitalisation is acceptable in stress at solo level for the group level calculations? We suggest that CEIOPS discusses to which extent group diversification can be realised in practice given the requirement to hold the solo SCR at solo level. Any transfer of own funds must reduce the entities resources compared to its unchanged liabilities and risks and reduce security	Noted/Disagree

			of policyholders. This paragraph should be adjusted to refer to breaches of regulatory minima	
1,134.	Munich RE	3.218.	This paragraph leaves it open what is among the negative effects of transferring own funds that can undermine the interests of policyholders. It is likely that a transfer of own funds results in less liquid own funds of the transferring undertaking as liquid assets of the transferring undertaking are exchanged for e.g. less liquid receivables. It should be clarified that this does not automatically results in the assessment of a supervisor to be of negative effect for the policyholders as this otherwise would imply that a priori all own funds are classified as non-transferable and depending on the supervisor some might classify as transferable.	Disagree
1,135.	CRO Forum	3.219.	The CRO Forum strongly agrees with this paragraph, which clearly states that solvency and fungibility/ transferability are 2 distinct concepts. But the issue of time frame over which transfers can be affected should be effectively addressed in this paper.	Noted
1,136.	FFSA	3.219.	FFSA strictly disagrees with the fact that the transferability has to be proved under stress tests. The solvency has to be evidenced in a going concern scenario, not under stress test scenarios.	Disagree
1,137.	UNESPA - Spanish Union of Insurance and Rein	3.219.	See comments on 3.217.	Noted
1,138.	CEA, ECO-SLV-09-454	3.220.	Solo and group level should not be mixed up. Solo and group level should not be mixed up in a consultation paper on group supervision. We would like 3.220 to be redrafted in the following way: "The supervisors concerned should assess the management of liquidity	Noted

			at group and solo level. The liquidity and concentration risk management as part of the risk management system of the group is subject to supervisory review by the group supervisor”.	
1,139.			Confidential comment deleted	
1,140.	German Insurance Association – Gesamtverb and der D	3.220.	Solo and group level should not be mixed up. Solo and group level should not be mixed up in a consultation paper on group supervision. We would like 3.220 to be redrafted in the following way: “The supervisors concerned should assess the management of liquidity at group and solo level. The liquidity and concentration risk management as part of te risk management system of the group is subject to supervisory review by the group supervisor”.	Noted
1,141.	UNESPA - Spanish Union of Insurance and Rein	3.220.	See comments on 3.217.	Noted
1,142.	ACA – ASSOCIATIO N DES COMPAGNIE S D’ASSURAN CES DU	3.222.	We agree that those risks are group-specific: that means: they exist mainly because the undertaking is part of a group. But we think that they should be considered at solo level in the operational risk module and not at group level (especially the reputational risk, the contagion risk and the strategic risk). Otherwise we can’t consider that the SCR calculated at solo level takes into account all the risks an insurance company can face. Moreover for undertakings which are not part of a group those risks would be completely ignored. As written in 3.238., the contagion risk can also have negative impacts for all the companies within the same branch (and not only part from the same group).	Disagree

1,143.	Association of British Insurers	3.224.	We do not agree with CEIOPS that there are additional risks arising from a group We consider that any group risks will be integral to the Pillar I assessment or identified in the ORSA under Pillar II. There is no need for a separate structure to further increase capital requirements.	Disagree
1,144.	CEA, ECO-SLV-09-454	3.224.	We do not agree with the emphasis on group-specific risks. The risks which are mentioned in section 3.5.2.1 onwards should not lead to additional capital requirements as the risks mentioned also exist for solo undertakings. These risks should be covered as part of the ORSA process. See comments on 3.256. See also CEA "Response to Ceiops request in the calculation of the group SCR". Also see comment to 3.257.	Disagree
1,145.	CRO Forum	3.224.	Care should be taken not to increase the SCR by requiring to hold capital against loss types like damage to reputation which will only affect future business and not the in-force value.	Noted
1,146.	German Insurance Association – Gesamtverband der D	3.224.	We do not agree with the emphasis on group-specific risks. The risks which are mentioned in section 3.5.2.1 onwards should not lead to additional capital requirements as the risks mentioned also exist for solo undertakings. These risks should be covered as part of the ORSA process. See comments on 3.256. See also CEA "Response to CEIOPS request in the calculation of the group SCR".	Disagree
1,147.	Munich RE	3.224.	Care should be taken not to increase the SCR by requiring to hold capital against loss types like damage to reputation which will only affect future business and not the in-force value.	Noted
1,148.	Pearl Group Line	3.224.	We do not agree with CEIOPS that there are additional risks arising from a group We consider that any group risks will be integral to the Pillar I	Disagree

			assessment or identified in the ORSA under Pillar II. There is no need for a separate structure to further increase capital requirements	
1,149.	Royal Bank of Scotland Insurance	3.224.	We disagree with CEIOPS that there are additional risks arising from a group. Group risks should be integral to the assessment and a separate structure is not needed.	Disagree
1,150.	CEA, ECO-SLV-09-454	3.225.	See comments to 3.224 and 3.256.	Noted
1,151.	Association of British Insurers	3.226.	From an economic perspective the reputation of a company forms an intangible off-balance sheet asset and affects the shareholders' assessment of the franchise value of the company. However, franchise value is not reflected in the (economic) balance sheet and consequently changes in franchise value only (i.e. without a corresponding change in Own Funds) may not be interpreted as a financial loss to the company. Rather, such changes should be viewed as a loss of reputation, for example, or as an opportunity loss (decreased new business prospects). Thus, while relevant to the shareholders of an insurance company, the franchise value does not form a part of the Own Funds and is therefore outside the scope of the solvency framework (SCR based on a one-year time horizon) that intends to protect current policyholders. In other words: SCR covers possible changes to the Own Funds and as franchise value does not contribute to the Own Funds no inclusion into the SCR is warranted. This comment also applies to 3.231 and 3.235.	Disagree/Noted
1,152.	CEA, ECO-SLV-09-454	3.226.	From an economic perspective the reputation of a company forms an intangible off-balance sheet asset and affects the shareholders' assessment of the franchise value of the company. However, franchise value is not reflected in the (economic) balance sheet and consequently changes in franchise value only (i.e. without a	Disagree/Noted

			corresponding change in Own Funds) may not be interpreted as a financial loss to the company. Rather, such changes should be viewed as a loss of reputation, for example, or as an opportunity loss (decreased new business prospects). Thus, while relevant to the shareholders of an insurance company, the franchise value does not form a part of the Own Funds and is therefore outside the scope of the solvency framework (SCR based on a one-year time horizon) that intends to protect current policyholders. In other words: SCR covers possible changes to the Own Funds and as franchise value does not contribute to the Own Funds no inclusion into the SCR is warranted. This comment also applies to 3.231 and 3.235.	
1,153.	CRO Forum	3.226.	Comments on §3.226 through 3.239 (reputation, contagion) From an economic perspective the reputation of a company forms an intangible off-balance sheet asset and affects the shareholders' assessment of the franchise value of the company. However, franchise value is not reflected in the (economic) balance sheet and consequently changes in franchise value only (i.e. without a corresponding change in Own Funds) may not be interpreted as a financial loss to the company. Rather, such changes should be viewed as a loss of reputation, for example, or as an opportunity loss (decreased new business prospects). Thus, while relevant to the shareholders of an insurance company, the franchise value does not form a part of the Own Funds and is therefore outside the scope of the solvency framework (SCR based on a one-year time horizon) that intends to protect current policyholders. In other words: SCR covers possible changes to the Own Funds and as franchise value does not contribute to the Own Funds no inclusion into the SCR is warranted..	Disagree/Noted
1,154.			Confidential comment deleted	

1,155.	German Insurance Association – Gesamtverband der D	3.226.	From an economic perspective the reputation of a company forms an intangible off-balance sheet asset and affects the shareholders' assessment of the franchise value of the company. However, franchise value is not reflected in the (economic) balance sheet and consequently changes in franchise value only (i.e. without a corresponding change in Own Funds) may not be interpreted as a financial loss to the company. Rather, such changes should be viewed as a loss of reputation, for example, or as an opportunity loss (decreased new business prospects). Thus, while relevant to the shareholders of an insurance company, the franchise value does not form a part of the Own Funds and is therefore outside the scope of the solvency framework (SCR based on a one-year time horizon) that intends to protect current policyholders. In other words: SCR covers possible changes to the Own Funds and as franchise value does not contribute to the Own Funds no inclusion into the SCR is warranted. This comment also applies to 3.231 and 3.235.	Disagree/Noted
1,156.	Groupe Consultatif	3.226.	We believe that all group specific risks mentioned such as Contagion, Reputational and Strategic risk and should ideally be assessed within the ORSA from a group perspective and should not necessarily lead to additional capital requirements. Our view is that the ORSA is a key component of the risk management within Pillar II. The ORSA identifies the risks and events to which the company is exposed, and enables companies to meet "continuous" compliance. Identification of these group risks and events in advance can allow for actions to be taken quickly, and for contingency plans to be drawn up. This may be more appropriate than adding a probably arbitrary charge to the SCR.	Partially agreed

			A risk like reputational risk is in fact not a risk type on its own. You can not define a separate capital for it. Reputational risk describes more the relation between other risk types. An Operational risk event like fraud can lead to a reputational problem what can lead to higher lapses. This should be described in the dependency structure (correlation) between Operation risk and Lapse risk. We also note that reputation is not specifically a group issue.	
1,157.	Munich RE	3.226.	From an economic perspective the reputation of a company forms an intangible off-balance sheet asset and affects the shareholders' assessment of the franchise value of the company. However, franchise value is not reflected in the (economic) balance sheet and consequently changes in franchise value only (i.e. without a corresponding change in Own Funds) may not be interpreted as a financial loss to the company. Rather, such changes should be viewed as a loss of reputation, for example, or as an opportunity loss (decreased new business prospects). Thus, while relevant to the shareholders of an insurance company, the franchise value does not form a part of the Own Funds and is therefore outside the scope of the solvency framework (SCR based on a one-year time horizon) that intends to protect current policyholders. In other words: SCR covers possible changes to the Own Funds and as franchise value does not contribute to the Own Funds no inclusion into the SCR is warranted. This comment also applies to 3.231 and 3.235.	Disagree
1,158.	ROAM	3.226.	Reputational risk can also occur because of collateral damage.	Noted
1,159.	AMICE	3.230.	AMICE members would like to add the following remarks regarding	Noted

			reputational risk. In a country where tacit renewal is possible each insurance company sees a part (big or small) of its renewed contracts with a possibility to increase the fees. It is like a “reputational profit”. It is even truer as the strategy called milking has always been, apart from a systemic situation, the most efficient way to turn an insurance company around. This is particularly true for the non life mutuals.	
1,160.	KPMG ELLP	3.230.	Many of the effects noted in this paragraph are difficult to quantify. For example, it would be useful for CEIOPS to provide some guidance on quantification of reputational risk. Whilst we agree that such risks need to be taken account of by the group, the same can be said of a solo (re)insurance undertaking. In that case, we are not clear on why reputational risk should be required to be considered as part of the SCR for a group and not for a solo (re)insurance undertaking. We therefore request CEIOPS to consider whether this should form part of the SCR or whether it should be assessed as part of the group ORSA process. If it is the former, then clarification of how this should be taken account of in the group SCR would be helpful. In particular, we cannot see how this will automatically be recorded within the D&A approach.	Noted
1,161.	ROAM	3.230.	ROAM members would like to add the following remark regarding reputational risk. Please note that reputational risk has two sides; a positive side and a negative side. In case of reputational profit, the effects are positive and there is increased consumer retention and satisfaction, as well as increased turnover. Can CEIOPS clarify the current description especially in a group context?	As supervisors we have to focus on the risks involved. However, it should be noted that positive effects of diversification could be captured in an internal model, if not properly taken on board in the SCR calculation
1,162.	Association	3.231.	We don’t believe that reputational risk is quantifiable and therefore	Noted

	of British Insurers		it should be addressed through Pillar II. Moreover, reputational risk is not a group-specific risk as solo entities (perhaps with their own brand name) or stand-alone insurance undertakings have a reputation which is also at risk. Reputational risk is not included in the SCR for these companies. It would therefore be inconsistent to include it in the group SCR. We would suggest to include a deterioration of the reputation and its effect on policyholder and customer behaviour as one of the stress scenarios to be included in the ORSA. Also see comment under 3.233.	
1,163.	CEA, ECO-SLV-09-454	3.231.	Reputational risk should not be covered in the group SCR calculation. We do not believe that reputational risk is reliably quantifiable and therefore it should be addressed through Pillar II rather than Pillar I. Moreover, reputational risk is not a group-specific risk as solo entities (perhaps with their own brand name) or stand-alone insurance undertakings have a reputation which is also at risk. Reputational risk is not included in the SCR for these companies. It would therefore be inconsistent to include it in the group SCR, especially if groups use a multi-brand strategy. We would suggest including deterioration of reputation and its effect on policyholder and customer behaviour as one of the stress scenarios to be included in the ORSA. Also see comment on 3.233.	Noted. reputational risk is also an important part of the ORSA. See revised text
1,164.	CRO Forum	3.231.	The phrase "Additionally to the input to the group SCR" concerning the reputational risk could be interpreted that reputational risk has to be covered in the group SCR calculation. This is currently not the case, it is especially not included in the operational risk (cf. 3.229).	Noted. Reputational risk is also an important part of the ORSA See revised text

1,165.			Confidential comment deleted	
1,166.	German Insurance Association – Gesamtverb and der D	3.231.	Reputational risk should not be covered in the group SCR calculation. We do not believe that reputational risk is reliably quantifiable and therefore it should be addressed through Pillar II rather than Pillar I. Moreover, reputational risk is not a group-specific risk as solo entities (perhaps with their own brand name) or stand-alone insurance undertakings have a reputation which is also at risk. Reputational risk is not included in the SCR for these companies. It would therefore be inconsistent to include it in the group SCR, especially if groups use a multi-brand strategy. We would suggest to include deterioration of reputation and its effect on policyholder and customer behaviour as one of the stress scenarios to be included in the ORSA. Also see comment on 3.233.	Noted. Reputational risk is also an important part of the ORSA See revised text
1,167.	International Underwriting Association of London	3.231.	We disagree that reputational and contagion risks are solely group specific risks. Reputational risks may arise at a solo level as well as group level, and contagion risks might not be limited intra-group transactions, for example there could be circumstances where one or more major reinsurers become insolvent, which could in turn, trigger further insolvencies of their reinsureds. Furthermore, we would question to what extent either of these risks are reliably quantifiable.	Noted
1,168.	KPMG ELLP	3.231.	Our comments in 3.230 equally apply to reputational risk. There also appears to be an inconsistency between the suggested approach to reputational risk (include within group SCR) expressed here and contagion risk (paragraph 3.234) which is recommended to be dealt with in the Group ORSA,	Noted

1,169.	Munich RE	3.231.	The phrase "Additionally to the input to the group SCR" concerning the reputational risk could be interpreted that reputational risk has to be covered in the group SCR calculation. This is currently not the case, it is especially not included in the operational risk (cf. 3.229). As it is stated in Article 101 (3), all quantifiable risks have to be taken into account. We don't believe that reputational risk is quantifiable (cf. the given examples in last sentence of 3.230) such that we strongly oppose an inclusion of reputational risk in the SCR calculation. Moreover, there does not seem to exist a sharp distinction between reputational risk and contagion risk as the second and third sentence of 3.238 referring to contagion risk also applies to reputational risk.	Noted. Reputational risk is also an important part of the ORSA. See revised text
1,170.	Pearl Group Line	3.231.	We don't believe that reputational risk is quantifiable and therefore it should be addressed through Pillar II. Moreover, reputational risk is not a group-specific risk as solo entities (perhaps with their own brand name) or stand-alone insurance undertakings have a reputation which is also at risk. Reputational risk is not included in the SCR for these companies. It would therefore be inconsistent to include it in the group SCR. We would suggest to include a deterioration of the reputation and its effect on policyholder and customer behaviour as one of the stress scenarios to be included in the ORSA.	Noted
1,171.	ROAM	3.231.	CEIOPS writes that it would be helpful that reputational risk is included in the group strategy and linked with other risk types. It would be helpful if CEIOPS explains what the possibly negative impact of the reputational risk is especially in a group context	Noted
1,172.	Royal Bank of Scotland Insurance	3.231.	Reputational risk is a difficult discipline to quantify. As such, it should be addressed through Pillar II.	Noted
1,173.	CRO Forum	3.232.	Following the definition from IAIS contagion risk comprises adverse	Noted/Disagree

			impacts on a group entity due to inter group relationships. We see the coverage of contagion risk within the other risk categories and therefore captured within the standard formula resp. within an internal model.	
1,174.	Munich RE	3.232.	Following the definition from IAIS contagion risk comprises adverse impacts on a group entity due to inter group relationships. We see the coverage of contagion risk within the other risk categories and therefore captured within the standard formula resp. within an internal model.	Noted/Disagree
1,175.	Association of British Insurers	3.233.	Contagion risk is not a quantifiable risk and should not be incorporated into the group SCR calculation. See also comments under 3.256 and 3.257. Also there does not seem to exist a sharp distinction between reputational risk and contagion risk as 3.232 states “reputational risk affecting one undertaking may impact another undertaking within the same group” and as the second and third sentence of 3.238 referring to contagion risk also applies to reputational risk. It is not clear how contagion risk would be greater for a group than in a solo entity of a similar size.	Noted
1,176.	CEA, ECO-SLV-09-454	3.233.	Contagion risk is not a quantifiable risk and should not be incorporated into the group SCR calculation. It is suggested that contagion risk be incorporated in the group SCR, implying that contagion risk is a quantifiable risk. We do not agree with this and propose that it is left out of the group SCR calculation. See also comments on 3.256 and 3.257. Also there does not seem to exist a sharp distinction between reputational risk and contagion risk as e.g. in 3.232 it is stated that “reputational risk affecting one undertaking may impact another undertaking within the same group” and as the second and third sentence of 3.238 referring to contagion risk also applies to	Noted

			reputational risk. It is not clear how contagion risk would be greater for a group than in a solo entity of a similar size.	
1,177.	CRO Forum	3.233.	See our comment §3.231	Noted
1,178.			Confidential comment deleted	
1,179.	German Insurance Association – Gesamtverband der D	3.233.	Contagion risk is not a quantifiable risk and should not be incorporated into the group SCR calculation. It is suggested that contagion risk be incorporated in the group SCR, implying that contagion risk is a quantifiable risk. We do not agree with this and propose that it is left out of the group SCR calculation. See also comments on 3.256 and 3.257. Also there does not seem to exist a sharp distinction between reputational risk and contagion risk as e.g. in 3.232 it is stated that “reputational risk affecting one undertaking may impact another undertaking within the same group” and as the second and third sentence of 3.238 referring to contagion risk also applies to reputational risk. It is not clear how contagion risk would be greater for a group than in a solo entity of a similar size.	Noted
1,180.	Munich RE	3.233.	The phrase “Additionally to the input to the group SCR” concerning the contagion risk could be interpreted that contagion risk has to be covered in the group SCR calculation. This is currently not the case, it is especially not included in the operational risk. As it is stated in Article 101 (3), all quantifiable risks have to be taken into account. We don’t believe that contagion risk is quantifiable such that we strongly propose to not include contagion risk in the SCR calculation. Moreover, there does not seem to exist a sharp distinction between reputational risk and contagion risk as e.g. in 3.232 it is stated that “reputational risk affecting one undertaking	Noted

			may impact another undertaking within the same group" and as the second and third sentence of 3.238 referring to contagion risk also applies to reputational risk.	
1,181.	Pearl Group Line	3.233.	Contagion risk is not a quantifiable risk and should not be incorporated into the group SCR calculation.	Noted
1,182.	Royal Bank of Scotland Insurance	3.233.	Contagion risk cannot be quantified, therefore it should not be considered as part of the group solvency calculation.	Noted
1,183.	Association of British Insurers	3.234.	The risk should only be included in an internal model when the insurer is able to determine if contagion risk is a material risk. The cost of the quantification of this risk may seriously outweigh the benefits.	Noted
1,184.	CEA, ECO-SLV-09-454	3.234.	The risk should only be included in an internal model when the insurer is able to determine if contagion risk is a material risk. The cost of the quantification of this risk may seriously outweigh the benefits.	Noted
1,185.	German Insurance Association – Gesamtverband der D	3.234.	The risk should only be included in an internal model when the insurer is able to determine if contagion risk is a material risk. The cost of the quantification of this risk may seriously outweigh the benefits.	Noted
1,186.	KPMG ELLP	3.234.	See 3.231	Noted
1,187.	Milliman	3.234.	CEIPOS states that it does not foresee to quantify contagion risk within the standard model. In general we support this view but would like to explicitly mention that complex intra-group transaction (IGT) structures might create a contagion risk, which neither of the 2 calculation methods* presented in this CP60 address (*accounting-consolidation method and deduction and	Noted

			aggregation method).	
1,188.	Association of British Insurers	3.235.	61. As already commented above (comments to section 3.226) a decrease of reputation is not a risk type which should be covered separately within the group SCR calculation. 62. 63. The positive aspects of being part of a group should also be considered by supervisors. If "moral obligations" can be taken to affect the risk situation of a group negatively they should also be accepted as a means of increasing capital fungibility and transferability within a group.	Noted. See revised text
1,189.	CEA, ECO-SLV-09-454	3.235.	As already commented above (comments to section 3.226) a decrease of reputation is not a risk type which should be covered separately within the group SCR calculation. The positive aspects of being part of a group should also be considered by supervisors. If "moral obligations" can be taken to affect the risk situation of a group negatively they should also be accepted as a means of increasing capital fungibility and transferability within a group.	Noted. See revised text
1,190.	CRO Forum	3.235.	Comments on §3.235 through 3.239 As already commented above (cf. Comments to section 3.226) a decrease of reputation is not a risk type which should be covered within the SCR determination. If "moral obligations" can be taken to affect the risk situation of a group negatively they should also be accepted as a means of increasing capital fungibility and transferability within a group. Moreover, the effect mentioned – damage to the reputation of a branch – is impossible to quantify in our view.	Noted. See revised text

1,191.	German Insurance Association – Gesamtverb and der D	3.235.	As already commented above (comments to section 3.226) a decrease of reputation is not a risk type which should be covered separately within the group SCR calculation. The positive aspects of being part of a group should also be considered by supervisors. If "moral obligations" can be taken to affect the risk situation of a group negatively they should also be accepted as a means of increasing capital fungibility and transferability within a group.	Noted. See revised text
1,192.	Munich RE	3.235.	As already commented above (cf. Comments to section 3.226) a decrease of reputation is not a risk type which should be covered within the SCR determination. If "moral obligations" can be taken to affect the risk situation of a group negatively they should also be accepted as a means of increasing capital fungibility and transferability within a group.	Noted. See revised text
1,193.	Association of British Insurers	3.237.	Possibility for supervisors to ring-fence insurers and therefore restrict asset transfer within the group should be specified and limited to the context of extreme circumstances. The ring-fencing of an insurer within a group implies that the supervisor is intervening in the ability of a group to diversify and to capitalise synergies amongst group members. An insurer should not be "punished' for being part of a group and supervisors should not be involved in its business strategy. Furthermore, the so called group risks should be accompanied with a proper recognition of diversification effect within the group.	Noted. See revised text
1,194.	CEA, ECO-SLV-09-454	3.237.	We are concerned over the power given to the supervisor to ring-fence the insurer. Possibility for supervisors to ring-fence insurers and therefore	Noted. See revised text

			restrict asset transfer within the group should be specified and limited to the context of extreme circumstances. The ring-fencing of an insurer within a group implies that the supervisor is intervening in the ability of a group to diversify and to capitalise synergies amongst group members. An insurer should not be “punished’ for being part of a group and supervisors should not be involved in its business strategy. The ability to ring fence the insurer will lead to unjustified limits for pursuing business activities in financial conglomerates. If illiquidity in, say, a bank is transferred to a life insurance subsidiary at a cost for the life insurer’s policyholders this would in itself be legally disputable. Transactions and operational linkages between a bank and an insurance company within the same group are common and it is not clear under which circumstances the supervisor can ring fence the insurer under the proposal from Ceiops. If the supervisor can, in specific cases, prove a case for spill over liquidity risk on the solvency of the insurer, then the supervisor should increase the capital requirement.	
1,195.	Danish Insurance Association	3.237.	The ability to ring fence the insurer will lead to unjustified limits for pursuing business activities in financial conglomerates. If illiquidity in, say, a bank is transferred to a life insurance subsidiary at a cost for the life insurers policyholders this would in itself be legally disputable. Transactions and operational linkages between a bank and an insurance company within the same group are common and it is not clear under which circumstances the supervisor can ring fence the insurer under the proposal from CEIOPS. If the supervisor can, in specific cases, prove a case for spill over liquidity risk on the solvency of the insurer, then the supervisor should increase the capital requirement	Noted. See revised text
1,196.	German Insurance Association	3.237.	We are concerned over the power given to the supervisor to ring-fence the insurer.	Noted. See revised text

	– Gesamtverb and der D		Possibility for supervisors to ring-fence insurers and therefore restrict asset transfer within the group should be specified and limited to the context of extreme circumstances. The ring-fencing of an insurer within a group implies that the supervisor is intervening in the ability of a group to diversify and to capitalise synergies amongst group members. An insurer should not be "punished' for being part of a group and supervisors should not be involved in its business strategy. The ability to ring fence the insurer will lead to unjustified limits for pursuing business activities in financial conglomerates. If illiquidity in, say, a bank is transferred to a life insurance subsidiary at a cost for the life insurer's policyholders this would in itself be legally disputable. Transactions and operational linkages between a bank and an insurance company within the same group are common and it is not clear under which circumstances the supervisor can ring fence the insurer under the proposal from CEIOPS. If the supervisor can, in specific cases, prove a case for spill over liquidity risk on the solvency of the insurer, then the supervisor should increase the capital requirement.	
1,197.	International Underwriting Association of London	3.237.	We have concerns regarding supervisors' ability to "ring-fence" insurers. We would deem such actions to be required only in severe and justifiable circumstances. Furthermore the context of the paragraph seems to imply this in reference to financial conglomerates that may have insurance and non-insurance undertakings. However it is not clear whether this power would only exist for financial conglomerates, and the "ring-fencing" of that conglomerate's insurance undertaking as a whole, or whether this power could also extend to pure insurance groups, where individual undertakings within that group can also be "ring-fenced".	Noted. See revised text
1,198.	Royal Bank of Scotland	3.237.	We disagree with the concept of "ring-fencing". By allowing supervisors to do this implies that the supervisor is intervening in	Noted. See revised text

	Insurance		the ability of a group to diversify and expand. Supervisors should be involved in business strategy and the entity should not be sanctioned for being part of a group.	
1,199.	Association of British Insurers	3.238.	See comments under 3.266	Noted
1,200.	CEA, ECO-SLV-09-454	3.238.	See comment to section 3.226. The effect mentioned – damage to the reputation of a branch – is impossible to quantify in our view.	Noted
1,201.	KPMG ELLP	3.238.	We are unsure whether the reference here to 'branch' should be read as 'local market'.	Noted. See revised text
1,202.	Munich RE	3.238.	As already commented above (cf. Comments to section 3.226) a decrease of reputation is not a risk type which should be covered within the SCR determination. Moreover, the effect mentioned – damage to the reputation of a branch – is impossible to quantify in our view.	Disagree
1,203.	Association of British Insurers	3.239.	See comments under 3.266	Noted
1,204.	CEA, ECO-SLV-09-454	3.239.	See comment to section 3.226.	Noted
1,205.	CRO Forum	3.239.	**[EMPTY]**	
1,206.	Munich RE	3.239.	As already commented above (cf. Comments to section 3.226) a decrease of reputation is not a risk type which should be covered within the SCR determination.	Disagree

1,207.	Association of British Insurers	3.240.	See comments under 3.255	Noted
1,208.	CEA, ECO-SLV-09-454	3.240.	Our understanding of this paragraph is that operational risk is calculated on consolidated data when calculating the group SCR on consolidated accounts and then added to the BSCR as at solo level.	Correct
1,209.	Munich RE	3.240.	Our understanding of this paragraph is that operational risk is calculated on consolidated data when calculating the group SCR on consolidated accounts and then added to the BSCR as at solo level.	Correct
1,210.	AAS BALTA	3.242.	[Likely that there will be no diversification benefit for Op Risk – do we share this view?]	The comment is unclear
1,211.	AB Lietuvos draudimas	3.242.	[Likely that there will be no diversification benefit for Op Risk – do we share this view?]	The comment is unclear
1,212.	CEA, ECO-SLV-09-454	3.242.	We would be interested to review the anecdotal evidence mentioned. Ceiops should not underestimate group risk management initiatives, and other centralised initiatives aimed at benefitting the group as a whole.	Noted
1,213.	DENMARK: Codan Forsikring A/S (10529638)	3.242.	[Likely that there will be no diversification benefit for Op Risk – do we share this view?]	The comment is unclear
1,214.	Link4 Towarzystwo Ubezpieczeń	3.242.	[Likely that there will be no diversification benefit for Op Risk – do we share this view?]	The comment is unclear

	SA			
1,215.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.242.	[Likely that there will be no diversification benefit for Op Risk – do we share this view?]	The comment is unclear
1,216.	RSA Insurance Group PLC	3.242.	[Likely that there will be no diversification benefit for Op Risk – do we share this view?]	The comment is unclear
1,217.	RSA Insurance Ireland Ltd	3.242.	[Likely that there will be no diversification benefit for Op Risk – do we share this view?]	The comment is unclear
1,218.	RSA - Sun Insurance Office Ltd.	3.242.	[Likely that there will be no diversification benefit for Op Risk – do we share this view?]	The comment is unclear
1,219.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.242.	[Likely that there will be no diversification benefit for Op Risk – do we share this view?]	The comment is unclear
1,220.	Association of British Insurers	3.243.	Strategic risk should not be regarded as a group specific risk. There should therefore be no additional capital charge on this risk at group level.	Disagree
1,221.	CEA, ECO-SLV-09-454	3.243.	Strategic risk also exists in solo undertakings and should not be regarded as a group specific risk. There should therefore be no additional capital charge on this risk at group level.	Disagree

1,222.	CRO Forum	3.243.	We do not consider strategic risk as a group-specific risk although there might show up additional features of strategic risks on group level. Strategic risk is associated with strategic management decisions, e.g. entering new markets, developing new products to be sold or decisions concerning M&A activity. Similar to reputational risk strategic risk affect only the franchise or reputational value of a company.	Disagree
1,223.			Confidential comment deleted	
1,224.	German Insurance Association – Gesamtverb and der D	3.243.	Strategic risk is also existing in solo undertakings and should not be regarded as a group specific risk. There should therefore be no additional capital charge on this risk at group level.	Disagree
1,225.	Munich RE	3.243.	We do not consider strategic risk as a group-specific risk although there might show up additional features of strategic risks on group level. Strategic risk is associated with strategic management decisions, e.g. entering new markets, developing new products to be sold or decisions concerning M&A activity. Similar to reputational risk strategic risk affect only the franchise or reputational value of a company.	Disagree
1,226.	Pearl Group Line	3.243.	Strategic risk should not be regarded as a group specific risk. There should therefore be no additional capital charge on this risk at group level.	Disagree
1,227.	Association of British Insurers	3.244.	See comment under 3.243	Noted

1,228.	CEA, ECO-SLV-09-454	3.244.	See comment on 3.243.	Noted
1,229.	Pearl Group Line	3.244.	See comment under 3.243.	Noted
1,230.	Association of British Insurers	3.245.	See comment under 3.243	Noted
1,231.	CEA, ECO-SLV-09-454	3.245.	See comment on 3.243.	Noted
1,232.	Pearl Group Line	3.245.	See comment under 3.243.	Noted
1,233.	Association of British Insurers	3.246.	See comment under 3.243	Noted
1,234.	CEA, ECO-SLV-09-454	3.246.	See comment on 3.243.	Noted
1,235.	Pearl Group Line	3.246.	See comment under 3.243.	Noted
1,236.	Association of British Insurers	3.247.	See comment under 3.243	Noted
1,237.	CEA, ECO-SLV-	3.247.	See comment on 3.243.	Noted

	09-454			
1,238.	Pearl Group Line	3.247.	See comment under 3.243.	Noted
1,239.	AMICE	3.251.	CEIOPS writes that a reinsurance arrangement entered into within a group should not result in a decrease in the group SCR in the absence of financing external to the group. Group regulatory capital requirements are only permitted to be reduced therefore if the risk is being transferred outside of the group. Internal reinsurance arrangements may reduce group SCR through increased diversification and improved transferability within the group. (in Absence of external transfer/ financing)	Disagree when it comes to the default method where the group SCR shall remain unchanged. Improvement in the transferability of own funds and therefore in their availability may change the available own funds but non the group SCR. See revised text
1,240.	Association of British Insurers	3.251.	67. Where the group SCR is calculated without restrictions for transferability and fungibility, then we agree that internal reinsurance will not normally result in a decrease of SCR. However, group internal reinsurance may still be justified by reducing the sum of solo SCRs (and in turn this will reduce the sum of solo MCRs which act as a floor to the group SCR and may produce other benefits such as tax reductions. Also, where a different group SCR is calculated at EEA and worldwide group level, intra-group reinsurance from outside the EEA group should be admissible to reduce the EEA group SCR.	Partially agreed, see revised version of the text. The group SCR has always to be calculated on a worldwide basis, including all the risks of the group (independently on the method choosen)
1,241.			Confidential comment deleted	
1,242.	CRO Forum	3.251.	Internal reinsurance affects the solo SCRs of the respective undertakings. Especially when determining the group SCR under the deduction and aggregation method, internal reinsurance can be used to distribute risks more equally between the entities which then results in a lower group SCR as diversification benefits are	Agreed, see revised text

			realized that before could only be shown when using the accounting consolidation-based method. Therefore, we strongly disagree with the statement that a "reinsurance arrangement entered within a group should not result in a decrease in the group SCR in the absence of financing external to the group". Additionally, even when using the accounting consolidation-based method, the group SCR can be defined by the group SCR floor which – like outline for the deduction and aggregation method – can be reduced by internal reinsurance.	
1,243.	Groupe Consultatif	3.251.	With regard to 3.5.2.6 we would like to mention that group internal reinsurance can change the risk profile of the group as the reinsurance result in with profits funds is shared with policyholders which is not necessarily the case with the accepting entity. Also the limitations of the standard formula at solo and group level could result in different group SCR pre and post reinsurance. Also the allocation in 3.143 will be impacted by group transactions.	Noted, in such a case, interest of policyholders should not be harmed by such intra group transactions. Partially agreed, see revised text
1,244.	KPMG ELLP	3.251.	We agree with this statement that internal reinsurance arrangements should not reduce the group SCR as, in effect, the risk to the group remains the same. By the same token, we do not believe that an internal financial reinsurance should give rise to an increase in group Own Funds	Noted
1,245.	Munich RE	3.251.	Internal reinsurance affects the solo SCRs of the respective undertakings. Especially when determining the group SCR under the deduction and aggregation method, internal reinsurance can be used to distribute risks more equally between the entities which then results in a lower group SCR as diversification benefits are realized that before could only be shown when using the accounting consolidation-based method. Therefore, we strongly disagree with the statement that a "reinsurance arrangement entered within a group should not result in a decrease in the group SCR in the absence of financing external to the group". Additionally, even	Agreed, see revised text

			when using the accounting consolidation-based method, the group SCR can be defined by the group SCR floor which – like outline for the deduction and aggregation method – can be reduced by internal reinsurance.	
1,246.	Pearl Group Line	3.251.	Where the group SCR is calculated without restrictions for transferability and fungibility, then we agree that internal reinsurance will not normally result in a decrease of SCR. However, group internal reinsurance may still be justified by reducing the sum of solo SCRs (and in turn this will reduce the sum of solo MCRs which act as a floor to the group SCR and may produce other benefits such as tax reductions.	Agreed, see revised text
1,247.	ROAM	3.251.	Internal reinsurance arrangements may reduce group SCR through increased diversification and improved transferability within the group. (even in the absence of external transfer/ financing)	Partially agreed, diversification should not increase the group SCR calculated with the default method
1,248.			Confidential comment deleted	
1,249.	Groupe Consultatif	3.254.	We believe that group risks should not necessarily lead to additional capital requirements: the counterparty risk mentioned is already captured in the standard formula and does not need to be reflected again Double use of capital is already captured in the framework	Disagree
1,250.			Confidential comment deleted	
1,251.	UNESPA - Spanish Union of Insurance and Rein	3.254.	See comments on 3.256	Noted
1,252.	Association of British	3.255.	We do not agree with summing solo operational risk capital requirements at group level.	Noted, see revised text.

	Insurers		At group level, operational risk capital requirements are summed. Therefore, there is no allowance for diversification. We find this too conservative. It is generally agreed that operational risks typically do not manifest themselves simultaneously. For instance, it seems clear that having a fraud case from an agent in Asia is totally uncorrelated to having a fire that destroys the buildings of an undertaking in France. This approach might also result in double counting operational risks. The formula for operational risk in QIS4 is based on volumes gross of reinsurance such that volumes subject to intra-group transactions are double counted.	At group level the operational risk will be calculated in the same manner as at solo level
1,253.	CEA, ECO-SLV-09-454	3.255.	We do not agree with summing solo operational risk capital requirements at group level. At group level, operational risk capital requirements are summed. Therefore, there is no allowance for diversification. We find this too conservative. It is generally agreed in the industry that operational risks typically do not manifest themselves simultaneously. For instance, it seems clear that having a fraud case from an agent in Asia is totally uncorrelated to having a fire that destroys the buildings of an undertaking in France. This approach might also result in double counting operational risks. The formula for operational risk in QIS4 is based on volumes gross of reinsurance such that volumes subject to intra-group transactions are double counted.	Noted, see revised text. At group level the operational risk will be calculated in the same manner as at solo level
1,254.	CRO Forum	3.255.	We strongly disagree with non recognition of diversification between local operational risks, which is a deviation from principles based system. It is a major area of concern as already mentioned in our response to CP53. For instance, it is clear that a major fraud from an agent in New-York is 100% de-correlated with the consequences of not having a business continuation plan after a	Noted, see revised text. At group level the operational risk will be calculated in the same manner as at solo level

			major flood in Paris. Beyond the question whether or not to allow for diversification benefits when determining the operational risk at group level there exists the problem of double counting operational risks. The formula for operational risk in QIS4 is based on volumes gross of reinsurance such that volumes subject to intra-group transactions are double counted. Therefore, it is too conservative just to add up solo operational risk capital requirements.	
1,255.	FFSA	3.255.	FFSA disagrees with non recognition of diversification between local operational risks. For instance, it seems clear that having a fraud case from an agent in Asia is totally uncorrelated to having a fire that destroys the buildings of an undertaking in France. (to be linked with the answers of CP 53)	See resolution of comment 1253
1,256.	German Insurance Association – Gesamtverband der D	3.255.	We do not agree with summing solo operational risk capital requirements at group level. At group level, operational risk capital requirements are summed. Therefore, there is no allowance for diversification. We find this too conservative. It is generally agreed in the industry that operational risks typically do not manifest themselves simultaneously. For instance, it seems clear that having a fraud case from an agent in Asia is totally uncorrelated to having a fire that destroys the buildings of an undertaking in France. This approach might also result in double counting operational risks. The formula for operational risk in QIS4 is based on volumes gross of reinsurance such that volumes subject to intra-group transactions are double counted.	See resolution of comment 1253
1,257.	Legal & General Group	3.255.	There is little justification given for not allowing diversification across firms for operational risk. Operational risk at the group level should allow for diversification but the contagion risk should cover the effect on other parts of the group of an operational risk	See resolution of comment 1253

			crystallizing in another entity.	
1,258.	Munich RE	3.255.	Beyond the question whether or not to allow for diversification benefits when determining the operational risk at group level there exists the problem of double counting operational risks. The formula for operational risk in QIS4 is based on volumes gross of reinsurance such that volumes subject to intra-group transactions are double counted. Therefore, it is too conservative just to add up solo operational risk capital requirements.	See resolution of comment 1253
1,259.	UNESPA - Spanish Union of Insurance and Rein	3.255.	2. We disagree with the CEIOPS proposal related to add the solo operational risk capital requirements at a group level As we comment in CP 53, 3.38, we consider that the recognition of diversification benefits among different undertakings of a group, regarding operational risk, should be allowed. Given the geographical location or other aspects which can impact on the correlation among the different undertakings operational risks. Therefore, we propose to include factors in the SCR group calculation that consider the diversification benefits related to operational risk.	See resolution of comment 1253
1,260.	Association of British Insurers	3.256.	See comments under 3.257.	Noted
1,261.	CEA, ECO-SLV-09-454	3.256.	The group specific risks outlined in this consultation paper are not specific to groups and do not only arise at the level of the group. It is very unclear to us on what grounds reputational risk, contagion risk, strategic risk and concentration risk are considered to be group-specific. In our view risks are not specific to groups; rather some risks are more likely to be relevant to groups or large single entities with complex business. The comment provided in paragraph 3.242 on operational risk is an example of this: the risk would be equal for a group and for an essentially similar solo	Disagree

			undertaking. Furthermore, we do not agree that the risks listed are necessarily quantifiable – as required by the Level 1 text (Article 101 (3))- and could be reflected in the SCR. The consultation paper gives no indication how these risks could be measured. We believe 'group specific risks' are already covered in the operational risk module and other Pillar I risk modules as well as in the ORSA in Pillar II. See also comments on 3.257.	
1,262.	CRO Forum	3.256.	This paragraph goes far beyond Article 101 (3) of the level 1 text where the SCR is just required to cover all quantifiable risks. This paragraph could be interpreted that reputational risks, contagion risks, and strategic risks should enter the SCR calculation. We don't believe that these risks are quantifiable. See also comments on 3.257	Disagree
1,263.	FFSA	3.256.	See 3.257	Disagree
1,264.	German Insurance Association – Gesamtverband der D	3.256.	The group specific risks outlined in this consultation paper are not specific to groups and do not only arise at the level of the group. It is very unclear to us on what grounds reputational risk, contagion risk, strategic risk and concentration risk are considered to be group-specific. In our view risks are not specific to groups; rather some risks are more likely to be relevant to groups or large single entities with complex business. The comment provided in paragraph 3.242 on operational risk is an example of this: the risk would be equal for a group and for an essentially similar solo undertaking. Furthermore, we do not agree that the risks listed are necessarily quantifiable – as required by the Level 1 text (Article 101 (3))- and could be reflected in the SCR. The consultation paper gives no indication how these risks could be measured. We believe 'group specific risks' are already covered in the operational risk module	Disagree

			and other Pillar I risk modules as well as in the ORSA in Pillar II. See also comments on 3.257.	
1,265.	Munich RE	3.256.	This paragraph goes far beyond Article 101 (3) of the level 1 text where the SCR is just required to cover all quantifiable risks. This paragraph could be interpreted that reputational risks, contagion risks, and strategic risks should enter the SCR calculation. We don't believe that these risks are quantifiable such that we strongly propose to not include these risks in the SCR calculation but rather consider them in the ORSA process. This comment also applies to 3.257, especially to the fourth bullet point.	Disagree
1,266.			Confidential comment deleted	
1,267.	Solvency II Legal Group This response reflects the	3.256.	5. CP60 advises that the group SCR should reflect the risks which arise at the level of the group and which are specific to the group (paragraph 3.256) and includes a non-exhaustive list of types of risk which are considered to arise at the level of the group (paragraphs 3.5.2.1 to 3.5.2.6). However, there is no detailed advise as to how the various examples of group specific risk should be incorporated into the group SCR calculation. In relation to contagion risk, it is also unclear whether the risk should be included in both the group SCR calculation and the ORSA, or only the ORSA – paragraph 3.233 suggests that inclusion in the ORSA is in addition to the input to the group SCR; however, paragraph 3.234 suggests that it will not be possible to cover contagion risk explicitly in a quantitative way in the standard model. Further detail on the way in which the various types of group risk should be dealt with in the group SCR calculation would be desirable.	Disagree
1,268.	UNESPA - Spanish Union of Insurance and Rein	3.256.	There are not quantitative impact studies which support the existence of group specific risks. Regarding the group-specific risks and according to SCR and the need to reflect all quantifiable risks to which an insurance undertaking is exposed, Article 101 (3), we believe that currently	Disagree

			there is no quantitative impact assessment that promotes the need to quantify additional risks at a group level. In fact, CEIOPS group-specific risks methodology valuation proposal (See 3.257), is based on a case by case approach, which finally results in a capital add-on, based not in group-specific risks quantification, but in a case mix/complexity for each case. Therefore, we understand that the additional analyzed risks in the SCR under Pillar I calculation (reputational, contagion, strategic, etc.), should be considered in Pillar II, under a supervision approach that promotes mechanisms to improve their management. Regarding CEIOPS statement which emphasizes in the existence of group specific risks, we consider that there are certain risks that are very relevant for large groups or complex solo undertakings, but can not be considered exclusively as "group specific risks"." Since these risks can not be considered as group specific risks, then, a higher capital charge due to a recalibration of group SCR should not apply, because: - The operational risk module already captures quantitatively some of the main sources of risk and their combinations. - The rest of the risks that are not considered within the operational risk module, such as reputational risk, strategic risk, and so on, should have a qualitative approach under Pillar II. Risk management, internal control policy and the governance system, are key elements to achieve an effective protection of insurance groups.	
1,269.	Association of British Insurers	3.257.	It is very unclear to us on what grounds reputational risk, contagion risk, strategic risk and concentration risk are considered to be group-specific. In our view these risks are not specific to groups; rather some risks are more likely to be relevant to groups or large single entities with complex business. We believe 'group specific risks' are already covered in the operational risk module	Disagree

			and any other risks will be best considered under Pillar II. There should not be a systematic increase to the group SCR. In our view there are no risks specific to groups but rather some risks are more likely to be relevant to groups or large single entities with complex business. Such risks should be captured in the ORSA. We are concerned that this paragraph might be interpreted to mean that capital add-ons for groups might be less restricted than for solo entities. We believe the restrictions on capital add-ons should be the same for groups and solo entities. The existence of complex group structure will not inherently lead to a deviation from assumptions underlying the underwriting risk and other standard formula calculations. Any deviations which could exist are due to removal of the use of entity specific parameters as part of the non-life. Reinstating the option to use entity specific parameters would allow deviation to be addressed in groups and in solo entities.	
1,270.			Confidential comment deleted	
1,271.			Confidential comment deleted	
1,272.	CEA, ECO-SLV-09-454	3.257.	The existence of complex group structure will not inherently lead to a deviation from assumptions underlying the underwriting risk and other standard formula calculations. Any deviations which could exist are due to the removal of the use of entity specific parameters as part of the non-life. Reinstating the option to use entity specific parameters would allow deviation to be addressed in group and in solo entities. We are concerned that capital add-ons will be more frequent at group level than at solo level. Capital add-ons should be a last resort measure for groups as well as solo entities and there should not be a much higher number of	Noted, see revised text

			capital add-ons at group level than at solo level. We would like Ceiops to define what an appropriate timeframe is. We would consider an appropriate timeframe for an undertaking to fulfil the requirements addressing group specific risks to be within a range of 6 to 12 months. See also comments on 3.256.	
1,273.	CRO Forum	3.257.	In the light of the financial crisis, CEIOPS suggests that Group calculation should include group-specific risks, such as reputational risk, contagion risk, impact of intra-group transactions. Once again (see also §3.226), the CRO Forum reinforces its view that those group-specific risks are rather seen as an opportunity loss rather than a risk type and no capital should be held for something that is not on the balance sheet in the first place. For instance reputation loss is caused by another risk such as compliance, fraud, processing/admin, etc. that is already captured in Group calculation. As such, we believe 'group specific risks' are already covered in the operational risk module and any other risks will be best considered under Pillar II in the ORSA	Disagree
1,274.	DIMA (Dublin International Insurance & Management	3.257.	While recognising that group specific risks exist, a group making allowance for group specific risks should also be allowed take credit for group diversification benefits, which also exist. In the same way that group specific risks may need to be qualitatively assessed, a group should be allowed to assess the impact of any diversification benefits.	Noted
1,275.	European Insurance CFO Forum	3.257.	Disclosure rather than quantification of group-specific risks is more appropriate. There are significant challenges in quantifying the group-specific risks as in almost all circumstances, these group risks are already	Disagree

			be included in the calculation. Disclosure of these risks is more appropriate.	
1,276.	FFSA	3.257.	The FFSA recommends that the CEIOPS precisely defines what an appropriate timeframe is. We consider a 6 to 12 month period is appropriate. The CP is dealing with Group specific risks such as reputational risks, contagion risks… with no indication on how to measure it. We consider that these factors can be described in the ORSA. However, the computation of these risks seem impracticable, whether on a standard or internal model. As such, FFSA recommends that these risks be described in the ORSA, but not quantified.	Noted, see revised text Disagree
1,277.	German Insurance Association – Gesamtverband der D	3.257.	The possibility for using entity-specific parameters should be maintained. We disagree with the statement in CP48 to not allow the use of entity-specific parameters. The existence of complex group structure will not inherently lead to a deviation from assumptions underlying the underwriting risk and other standard formula calculations. Any deviations which could exist are due to removal of the use of entity specific parameters as part of the non-life. Reinstating the option to use entity specific parameters would allow deviation to be addressed in group and in solo entities. We are concerned that this paragraph might be interpreted to mean that capital add-ons for groups might be less restricted than for solo entities. We believe the restrictions on capital add-ons should be the same for groups and solo entities. Capital add-ons should be a last resort	Noted

			measure for groups as well as solo entities. We ask for CEIOPS to define what an appropriate timeframe is. We would consider an appropriate timeframe for an undertaking to fulfil the requirements addressing group specific risks to be within a range of 6 to 12 months. See also comments on 3.256.	
1,278.	Milliman	3.257.	Bullet 3: Please give more guidance on what constitutes a "significant deviation".	Noted
1,279.	Pearl Group Line	3.257.	We believe 'group specific risks' are already covered in the operational risk module and any other risks will be best considered under Pillar II. There should not be a systematic increase to the group SCR. In our view there are no risks specific to groups but rather some risks are more likely to be relevant to groups or large single entities with complex business. Such risks should be captured in the ORSA.	Disagree
1,280.	Royal Bank of Scotland Insurance	3.257.	It is not clear how reputational, contagion, strategic and concentration risks are considered to be group specific. These risks exist in groups as well as large single entities. This conclusion by CEIOPS may imply that capital add-ons for groups might be less restricted than for solo entities. It should be the same for group and solo entities.	Noted
1,281.	UNESPA - Spanish Union of Insurance and Rein	3.257.	See comments on 3.256	Noted
1,282.	CEA, ECO-SLV-	3.258.	The discussion on interest rate risk and currency risk will need to link to the group SCR calculation.	Noted There is only one standard

	09-454			formula at solo and group level. That issue is also relvant for solo entities operation in an environment with several interest rates. The treatment shall therefore be consistent with the solo one. Paragraph 3.258 has been deleted and may be revised and used if needed in L3 guidance on the calculation of the group SCR with the standard formula.
1,283.	CRO Forum	3.258.	We agree with your position that upward and downward shocks on interest rate cannot happen at the same time for the same currency. But we are not aligned with the formulae presented here. The Group SCR both for Interest rate risk and currency risk shall be assessed with consistent group scenario (declined per currency) and not as a sum of local SCR (in case of upward or downward shocks).	See resolution of comment 1,282
1,284.	European Insurance CFO Forum	3.258.	The purpose of this section is not clear. The effect of interest rate risk and currency risk should be accounted for in the normal assessment of the SCR at a group level.	See resolution of comment 1,282
1,285.	European Union member firms of Deloitte Touche Toh	3.258.	Interest rate risk and currency risk – Paragraphs 3.258 – 3.263 The CEIOPS advice (“blue box”) does not address interest rate risk and currency risk. We suggest that the CEIOPS advice paragraphs should address the interest rate risk and currency risk issues set out in paragraph 3.258 to 3.263	See resolution of comment 1,282

1,286.	Groupe Consultatif	3.258.	Note this is not reflected in blue text CEIOPS is not clear whether 3.5.3 gives its complete advice on the group standard formula SCR. We think CEIOPS needs to clarify its approach to diversification within risk types arising when business is from different geographic areas as would typically apply to insurance risks in international groups writing non life or life business.	Noted There is no "Group standard formula". The standard formula of Title 1 also applies to groups
1,287.			Confidential comment deleted	
1,288.	KPMG ELLP	3.259.	We seek clarification from CEIOPS as to why this paragraph is relevant since, on an accounting consolidation approach, currency risk would be calculated on the constituent parts of the regulatory consolidation data, and not in respect of individual subsidiary positions.	Agreed The objective of paragraphs 3.259 to 3.263 was to clarify the calculation of currency risk on the consolidated accounts. See revised advice abd CP 47
1,289.	CRO Forum	3.262.	Up- and downward shock can happen at the same time here. As an example we take a group consisting of two entities. One in the UK, being exposed to a weakening of the Euro relative to the GBP (downward shock), and one in the Netherlands, being exposed to a weakening of the GBP relative to the Euro (downward shock). If we assume that the exposures have exactly the same size, it is clear that in reality these exposures would fully offset, however the formula would add them up. If now instead we assume that the Dutch entity is exposed to a strengthening of the GBP to the Euro (upward shock), it is clear that in reality the entities are exposed to the same FX movement and that this happens with 100% correlation, however the formula would treat it as offsetting exposures.	Agreed See resolution of comment 1,288
1,290.	Groupe Consultatif	3.262.	CEIOPS observes that upward and downward FX shocks can not happen at the same time. However we note that an upward shock	See resolution of comment 1,289

			against one currency can arise at the same time as a downward shock against another currency eg for a GBP accounted group the euro rises at the same time that the dollar falls.	
1,291.	Munich RE	3.262.	We understand the formula in a way that for the group aggregation the Up and Down components in the solo entities are recalculated once again assuming that the local currency is the group currency. If this understanding is correct we agree to the formula.	Agreed See new drafting
1,292.	Institut des actuaires (France)	3.266.	Institut des Actuaires agrees with the group SCR floor as stated in 3.266 (the group SCR is at least above the sum of all Minimum Capital Requirements). The rationale behind is that breaking down this floor would mean non-compliance with solo MCR of at least one entity within the group. However the consultation paper is not clear whether we should consider the sum of all MCR, or a deduction and aggregation method applied to solo MCR (intra-group transactions like reinsurance or loans are eliminated). We also understand that computing a group MCR would have no sense since supervisory authorities are not able to withdraw its official license to an insurance group, but only to separate subsidiaries. The communication of the group SCR trough the Solvency and Financial Condition Report (SFCR) or the Report to Supervisor (RTS) would happen only once a year.	Noted
1,293.	KPMG ELLP	3.266.	We agree that the group SCR should not fall below the level of the sum of the solo MCRs in the group	Noted
1,294.	CEA, ECO-SLV-09-454	3.267.	The minimum group SCR is only foreseen in the Level 1 text if the consolidated method is applied. We object to Ceiops requiring undertakings to calculate the minimum group SCR if the deduction and aggregation method is applied. There is no legal basis in the Level 1 text for such a requirement. The administrative burden that this creates for groups using the deduction and aggregation method is not justified as their	Agreed See revised text

			group SCR will, by definition, always be higher than the minimum group SCR.	
1,295.	German Insurance Association – Gesamtverb and der D	3.267.	The minimum group SCR is only foreseen in the Level 1 text if the consolidated method is applied. We object to CEIOPS requiring undertakings to calculate the minimum group SCR if the deduction and aggregation method is applied. There is no legal basis in the Level 1 text for such a requirement. The administrative burden that this creates for groups using the deduction and aggregation method is not justified as their group SCR will, by definition, always be higher than the minimum group SCR.	See resolution of comment 1,294
1,296.	KPMG ELLP	3.267.	We agree that this is logical consequence of the D&A approach, as proposed. However, should diversification benefits be allowed to be recognised under this method, then the approach to the group SCR floor should also apply	Diversification is not recognised in the D&A method
1,297.	CEA, ECO-SLV-09-454	3.268.	See comment to 3.272.	See resolution of that comment
1,298.	CEA, ECO-SLV-09-454	3.269.	See comment to 3.273.	See resolution of that comment
1,299.	CEA, ECO-SLV-09-454	3.270.	We would refer to Article 253 (1a) of the Level 1 text: "when they become aware of a significant breach of the Solvency Capital Requirement or a breach of the Minimum Capital Requirement of an individual insurance or reinsurance undertaking".	Agreed See revised text
1,300.	KPMG ELLP	3.270.	We do not agree that non-compliance with the SCR floor will inevitably mean a breach of at least one entity's solo MCR. There	Agreed See revised text

			could be a number of reasons, such as a capital deficiency in a non-EEA (re)insurance undertaking on restating it onto a Solvency II basis and a deficiency of capital in the insurance parent undertaking.	
1,301.	CEA, ECO-SLV-09-454	3.272.	The wording of this paragraph is not in line with the Level 1 text. In the Level 1 text "competent authorities" are defined differently from supervisory authorities. In addition, Article 218 requires the consultation of the group itself. We therefore propose the following re-drafting: "The Level 1 text states that the group supervisors, after consultation with other competent the supervisory authorities concerned and the group itself, may...". The group SCR floor calculation should only be applied to the part of the group covered by the consolidated method.	Agreed See revised text
1,302.	European Union member firms of Deloitte Touche Toh	3.272.	Group SCR floor – Paragraphs - 3.264 – 3.271 - Advice paragraphs 3.272 – 3.274 The directive requires that where a subsidiary is less than 100% owned by the group 100% of that subsidiary's SCR is included in the calculation of group SCR. Accordingly the own funds of that subsidiary included in group eligible own funds are increased from the majority share in the subsidiary's own funds by the minority interest share in the SCR. This principle is noted at paragraph 3.191 as restricting own funds of a subsidiary from 100% of the own funds by excluding the minority interest in own funds in excess of the minority interest in the SCR. This principle is illustrated in Annexe 1 to CP60. It illustrates an 80% owned subsidiary with an SCR of 32 (after group diversification) and eligible own funds of 60. The own funds of the subsidiary included in group own funds are 80% of 60 plus 20% of 32 = 48+6.4 = 54.4 and the subsidiary SCR is included at 100% of	Noted The final group SCR includes the application of the floor of Article 228(2)

			32. In contrast the IGD deduction and aggregation principle included 80% of the subsidiary eligible own funds = 48 and 80% of the subsidiary SCR = 25.6. The overall effect of Solvency II and the IGD is the same but in the Annex 1 illustration solvency II produces eligible own funds and subsidiary SCR both greater by 5.4 than under IGD. The CEIOPS advice does not indicate whether eligible own funds eligible to cover the SCR floor should be restricted by reference to the minority interest in the subsidiary's contribution to group SCR or by reference to the group SCR floor. We suggest that there should be consistency of treatment of minority interest included within group eligible own funds for comparison with both the SCR and SCR floor; therefore we suggest that minority interest included in group eligible own funds should be determined after considering only the minority interest contribution to group SCR.	That difference is linked to the fact tat the consolidation method includes 100% of the undertaking and the deduction and aggregation only 80% As mentioned earlier the application of the SCR floor is only a step in the calculation of the final group SCR that will have to be covered by the group eligible own funds (that will include the restrictions of Annex 1 for minority interests)
1,303.	German Insurance Association – Gesamtverb and der D	3.272.	The wording of this paragraph is not in line with the Level 1 text. In the Level 1 text "competent authorities" are defined differently from supervisory authorities. In addition, Article 218 requires the consultation of the group itself. We therefore propose the following re-drafting: "The Level 1 text states that the group supervisors, after consultation with other competent the supervisory authorities concerned and the group itself, may...". The group SCR floor calculation should only be applied to the part of the group covered by the consolidated method.	Agreed See revised text

1,304.	CEA, ECO-SLV-09-454	3.273.	We agree with this paragraph.	Noted
1,305.	German Insurance Association – Gesamtverb and der D	3.273.	We agree with this paragraph.	Noted
1,306.	CEA, ECO-SLV-09-454	3.274.	Should the word consolidated read consolidation?	Noted See revised text that clarifies that point
1,307.	German Insurance Association – Gesamtverb and der D	3.274.	Should the word consolidated read consolidation?	See resolution of comment 1,306
1,308.	Investment & Life Assuarnce Group (ILAG)	3.274.	Should the word ‘consolidated’ read ‘consolidation’?	See resolution of comment 1,306
1,309.	Association of British Insurers	3.276.	An economic approach would call for group risk margin to account for diversification and not be the sum of solo risk margins. See comment under 3.278.	When establishing statutory consolidated accounts, the technical provisions are the sum of the solo ones. CEIOPS

				considers that prudential consolidated accounts should not deviate from that principle in order to minimize the differences between IFRS and prudential balance sheets
1,310.	CEA, ECO-SLV-09-454	3.276.	An economic approach would call for group risk margin to account for diversification and not be the sum of solo risk margins (see also CEA "Paper on the allowance for diversification within the market value risk margin"). See comment on 3.278.	See resolution of comment 1,309
1,311.	German Insurance Association – Gesamtverband der D	3.276.	An economic approach would call for group risk margin to account for diversification and not be the sum of solo risk margins (see also CEA "Paper on the allowance for diversification within the market value risk margin"). See comment on 3.278.	See resolution of comment 1,309
1,312.	Association of British Insurers	3.278.	72. We disagree with the non-recognition of diversification benefits in the risk margin. This is not consistent with an economic risk-based approach and this does not encourage the right behaviour. CEIOPS states that the group risk margin should equal the sum of solo risk margin. Instead, we propose that the group risk margin is calculated in the same way it is done at solo level, using the group SCR.	See resolution of comment 1,309
1,313.			Confidential comment deleted	
1,314.	CEA, ECO-SLV-09-454	3.278.	We disagree with the non-recognition of diversification benefits in the risk margin. This is not consistent with an economic risk-based approach and	See resolution of comment 1,309 and on CP 42

			this does not encourage the right behaviour. Ceiops states that the group risk margin should equal the sum of solo risk margins. To reiterate our response to CP42, we think that diversification between lines of business should be allowed. In addition, we think it should be allowed between solo entities.	
1,315.	CRO Forum	3.278.	We disagree with the non recognition of diversification benefits in the risk margin. This is not consistent with an economic risk-based approach and this does not encourage the right behaviour. (also mentioned in our response to CP42)	See resolution of comment 1,309 and on CP 42
1,316.	European Insurance CFO Forum	3.278.	The group risk margin should be calculated in a consistent way to the solo risk margins. CEIOPS states that the group risk margin should equal the sum of solo risk margins. We recommend that the group risk margin be calculated in the same way as at the solo level using the group SCR.	See resolution of comment 1,309
1,317.	FFSA	3.278.	FFSA disagrees with the non recognition of diversification benefits in the risk margin. This is not consistent with an economic risk-based approach and this does not encourage the right behaviour. (ot be linked with the answer in CP42) CEIOPS states that the group risk margin should equal the sum of solo risk margin. Instead, we propose that the group Risk margin is calculated in the same way it is done at solo level, using, basically, the group SCR.	See resolution of comment 1,309
1,318.	German Insurance Association – Gesamtverband der D	3.278.	We disagree with the non-recognition of diversification benefits in the risk margin. This is not consistent with an economic risk-based approach and this does not encourage the right behaviour. (to be linked with the answer in CP42) CEIOPS states that the group risk margin should equal the sum of	See resolution of comment 1,309 and on CP 42

			solo risk margin. Instead, we propose that the group risk margin is calculated in the same way it is done at solo level, using, basically, the group SCR.	
1,319.	GROUPAMA	3.278.	We do not understand why no diversification benefits should be calculated on risk margins at group level. It could fail to recognize the stability gain of well-diversified groups. We suggest risk margins be recalculated at group level.	See resolution of comment 1,309
1,320.	Munich RE	3.278.	We suggest to calculate the group risk on consolidation-based figures taking diversification benefits into account when calculating the group SCR according to the accounting consolidation-based method. Otherwise there would be an inconsistency between the calculation of the group SCR – where diversification benefits are taken into account – and the calculation of the group risk margin.	See resolution of comment 1,309
1,321.	Pearl Group Line	3.278.	We agree with this and believe this might be inconsistent with CP 42 on the risk margin. CP 42 should be aligned with this paragraph.	See resolution of comment 1,309
1,322.			Confidential comment deleted	
1,323.	CEA, ECO-SLV-09-454	3.279.	There is no paragraph 3.279.	Noted
1,324.	CEA, ECO-SLV-09-454	3.280.	There is no paragraph 3.280.	Noted
1,325.	Investment & Life Assuarnce Group (ILAG)	Annex	3.158 suggests that the entire minority own funds up to solo SCR could be used i.e. the 8 in the example in annex 1. However the approach in annex 1 seems intuitively correct. Suggest guidance could be clarified to reflect this.	Noted. See revised text
1,326.	Association	Annex	Goodwill, although an intangible, does have an economic value and	Noted

	of British Insurers		we therefore believe that consideration should be given as whether it should be recognised both at a solo and group level.	
1,327.	CEA, ECO-SLV-09-454	Annex	We note that Annex 2 indicates the removal of intangibles from the calculation under Step 2. Please note the CEA response to CP35 which states that goodwill, although an intangible, does have an economic value and therefore consideration should be given to recognising this both at a solo and group level. Goodwill can in fact be seen as the 'flip-side' of contagion risk.	Noted
1,328.	AMICE	Annex	Annex 5 provides a list with the proposed treatment of participations under Solvency II. Such list quotes regulated (re)insurance undertaking (global), undertakings covered by CRD(credit institutions, investment firms and financial institutions). AMICE members miss to find in the table, the suggested treatment for regulated (re)insurance undertaking not subject to IFRS.	Noted
1,329.			Confidential comment deleted	
1,330.	**ROAM**	**Annex**	**Annex 5 lists per type of entity how participations should be treated. The entities mentioned are 1. Regulated (re)insurance undertaking (global) and then reference is made to IAS 27, 28 and 31.** **The non-global insurance undertaking not subject to IAS is completely missing from the table in the annex.**	Noted