

| <b>Comments Template on<br/>Consultation Paper on on the Proposal for Guidelines<br/>on the System of Governance</b>   |  | <b>Deadline<br/>19 June 2013<br/>12:00 CET</b> |
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| Name of Company:   | <b>ASSURALIA</b>   |  |
| Disclosure of comments:  | Please indicate if your comments should be treated as confidential:  | Public   |
| <p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> <li>⇒ Do <b>not</b> change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool</li> <li>⇒ Leave the last column <u>empty</u>.</li> <li>⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph or a cell, keep the row <u>empty</u>.</li> <li>⇒ Our IT tool does not allow processing of comments which do not refer to the specific numbers below.</li> </ul> <p><b>Please send the completed template, in Word Format, to <a href="mailto:CP-13-008@eiopa.europa.eu">CP-13-008@eiopa.europa.eu</a>. Our IT tool does not allow processing of any other formats.</b></p> <p>The numbering of the paragraphs refers to this Consultation Paper, the numbering of cells refers to the Technical Annexes II and III.</p> |  |  |
| <b>Reference</b>   | <b>Comment</b>   | <b>Resolution</b>                              |
| <b>General Comment</b>   | <p>Assuralia (the Belgian association of insurance undertakings) welcomes the opportunity to comment on the Consultation Paper on the Proposal for Guidelines on the System of Governance. Assuralia supports an effective system of governance and thereby sound and prudent management of the undertakings.</p> <ul style="list-style-type: none"> <li>• In which way will EIOPA guarantee a level playing field between the member states as these guidelines will be implemented on a "comply or explain" basis?</li> <li>• Will EIOPA give a clear indication of the guidelines which deserve most attention in the interim period towards Solvency II (prioritization)? It is assumed that this will be important for the monitoring of the implementation of</li> </ul> |  |

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|                                     |  |  |
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|                                     | <p>the interim measures.</p> <ul style="list-style-type: none"> <li>It seems that the guidelines are addressed to the National Competent Authorities (NCAs) while the explanatory text is often addressed to the insurance companies. It is proposed that the guidelines and the explanatory text are written in a complementary style.</li> </ul> |  |
| <b>Introduction General Comment</b> |  |  |
| 1.1                                 |  |  |
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| <b>Section I. General Comments</b>  |  |  |
| 1.13                                |  |  |
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| <b>Section II. General<br/>Comments</b>  |   |  |
| <b>Chapter I General<br/>Comments</b>  |   |  |
| 1.16   |   |  |
| 1.17   |   |  |
| 1.18   | The aim of this guideline should not be to impose the undertakings to set up too many codes of conducts or to have structures that are too complex.   |  |
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| 1.28   | The obligation described under point d) to report "any" fact is difficult to apply in practice. Therefore it is proposed to replace "any" fact by " <u>significant</u> " facts.   |  |
| 1.29   |   |  |
| 1.30   | According to the explanatory text, it is not necessary to have contingency plans for every activity of the undertaking. The examples given in the explanatory text show that contingency plans are needed for operational risks. It is suggested to refer explicitly in the guideline to <u>operational risks</u> . |  |
| <b>Chapter II General</b>  |   |  |

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| <b>Comments</b>  |   |  |
| 1.31   |   |  |
| 1.32   |   |  |
| 1.33   | The guideline should be more specific by mentioning that the requirement of 'proper' is limited to persons who effectively run the undertaking or have other key functions in order to be coherent with guideline 11.<br>It should also be specified that only <u>relevant</u> criminal, financial, supervisory aspects should be taken into account in the assessment whether a person is 'proper' since the same guideline mentions that the assessment has to be made on relevant evidence. An overview of relevant criminal, financial and supervisory aspects is provided in the explanatory text. |  |
| 1.34   |   |  |
| 1.35   | This obligation is very difficult to apply in practice when an insurance undertaking outsources a key function to another undertaking, e.g. a consultancy undertaking. In such case, the latter should be responsible to assess the fit and proper requirements of all of its employees and to confirm this to the insurance undertaking. Therefore it is proposed that the insurance undertaking monitors the service provider on the application of the fit & proper requirements.  |  |
| 1.36   |   |  |
| <b>Chapter III General<br/>Comments</b>  |   |  |
| 1.37   |   |  |
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| 1.39   |   |  |
| 1.40   | As a part of their ongoing risk management companies will execute the ORSA on a forward-looking basis as well as periodically conduct stress tests to examine the impact of 'tail events' which in fact are exceptional situations. The requirement under point e) to describe situations which warrant additional 'special stress tests' is  |  |

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|  | confusing. It is proposed to change the wording and to require undertakings to describe a number of situations in which they would execute an 'ad hoc stress test'.   |  |
| 1.41   |   |  |
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| 1.43   |   |  |
| 1.44   | It is not clear why the risk tolerance limits with respect to the undertaking's key operational risk areas are required separately under point c), since these are already included in the risk management policy requirements under 1.40 d)?   |  |
| 1.45   |   |  |
| 1.46   |   |  |
| 1.47   |   |  |
| 1.48   | Liquidity management is an important part of the insurance undertaking's risk management and not only with regard to reinsurance. Since guideline 24 deals specifically with liquidity risk it is suggested to move point d) of guideline 21 to guideline 24 on liquidity management.   |  |
| 1.49   | With regard to all related requirements for stress testing (cf. point c; see also 1.40) it is proposed to centralise these under a separate guideline for stress testing. Under this guideline it is proposed that undertakings should define an appropriate policy on the conduct of regular and ad hoc stress tests in line with their risk management. |  |
| 1.50   | It is proposed to use the title ' <u>investment management</u> ' which is a better reflection of the guideline 1.50.<br><br>Since guideline 24 deals specifically with liquidity management it is proposed to move point d) of guideline 23 to guideline 24.  |  |
| 1.51   | It is proposed to use the title ' <u>liquidity management</u> ' which is a better reflection of the guideline 1.51.   |  |
| <b>Chapter IV General</b>  |   |  |

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| 1.52   | It is not clear why the development of key risk indicators is required here in the context of investment risk management. As undertakings usually develop a comprehensive set of key risk indicators including risk indicators relating to investment risk management it is suggested to move this requirement to a general guideline on key risk indicators.  |  |
| 1.53   |  |  |
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| 1.56   | It is proposed to delete the requirements under guideline 27 since these clearly relate to customer protection instead of prudential regulation and, as such, are being covered by conduct of business regulation.   |  |
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| <b>Chapter V General<br/>Comments</b>  |  |  |
| 1.64   | The requirement under point 1.64 d (i) should suffice as this requires the undertaking to take sufficient account of the dividend distribution policy within the management of its overall capital position. It is proposed to delete the requirement under point 1.64 d (ii) as this is considered to be difficult to put into practise and too burdensome. Indeed it is considered that this requirement also falls under the scope of point 1.64 d (i). |  |

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| 1.65                                | The guideline on own funds to develop a medium-term capital management plan is a new requirement for insurance undertakings which will demand some serious work. In this light it is proposed to limit the requirements on the capital management plan to the key elements, which are: consideration of any planned capital issuance (point 1.65 a), the contractual maturity and possibilities to repay/redeem (point 1.65 b) and the application of the distributions policy (point 1.65 d). Given the ongoing uncertainty around the capital requirements under Solvency II it is premature to require undertakings to establish a capital management policy which already takes into account the limits (tiering) of the capital regime. As the (simple) limits of the Solvency I regime remain applicable no requirement on this aspect is useful at this moment. |  |
| 1.66                                | Referring to the comment above under point 1.65 it is proposed to delete this requirement as long as insurance companies are operating under a Solvency I capital regime. While inputs from the ORSA and risk management system have an added value once Solvency II will be in place, it makes no sense to integrate these elements within the capital management plan during the interim period under Solvency I.  |  |
| <b>Chapter VI General Comments</b>  |  |  |
| 1.67                                |  |  |
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| <b>Chapter VII General Comments</b> |  |  |
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| 1.73                                | It is proposed to clarify the requirement under point b which refers to the determination of the priorities of the internal audit plan. In particular, it is proposed to   |  |

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|  | add, besides the requirement of a risk-based approach, that the audit programme should remain a relatively flexible tool that needs to be adapted according to the audit findings and should allow for a periodic review of the activities, according to the audit cycle principle (cf. explanatory text 1.153).   |  |
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| <b>Chapter VIII General<br/>Comments</b>   |  |  |
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| 1.82   | <p>It is proposed to change the title of the paragraph into '<u>data quality with respect of technical provisions</u>'.</p> <p>While consistency of internal and external data used in the calculation of the technical provisions has to be ensured, it is important to clarify that the management of data quality is the responsibility of the whole undertaking and not only of the actuarial department. It is proposed to indicate that the actuarial department has a monitoring function on data quality, as a second line of control, while the entire organisation has a responsibility in relation to the management of data quality.</p> |  |
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| <b>Chapter IX General<br/>Comments</b>   |   |  |
| 1.88   | It is noted that not only a function can be outsourced, but also an activity (e.g. claims handling). This should be clarified in the guideline and it is suggested to change the title of the guideline in ' <u>critical or important function or activity</u> '. |  |
| 1.89   |   |  |
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| <b>Section III. General<br/>Comments</b>   |   |  |
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| <b>Compliance and<br/>Reporting Rules General<br/>Comments</b>   |   |  |

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| <b>Impact Assessment –<br/>General Coments</b> |  |  |
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