

**Comments Template on Consultation Paper on the
Proposal for Guidelines on
Forward Looking assessment of the undertaking's own risks
(based on the ORSA principles)**

**Deadline
19 June 2013
12:00 CET**

Name of Company:	ASSURALIA	
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"> ⇒ Do not change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool ⇒ Leave the last column <u>empty</u>. ⇒ 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>. ⇒ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. <p>Please send the completed template, in Word Format, to CP-13-009@eiopa.europa.eu. Our IT tool does not allow processing of any other formats.</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>		
Reference	Comment	Resolution
General Comment	<p>Assuralia (Belgium association of insurance undertakings) welcomes the opportunity to comment on the consultation paper on the proposal for Guidelines on the Forward looking assessment of the undertaking's own risks.</p> <p>Assuralia supports an early implementation of a forward looking risk assessment that improves the undertakings' understanding of their business and risks.</p>	

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However a preparatory exercise to be conducted in addition to the current system requires significantly more of the undertaking's resources. In this view more flexibility on the requirements and regulatory deadlines should be brought in.

We believe that the focus should be on the undertakings' own assessment and not on the assessment of Solvency II Pillar I elements which are not stable yet. As such, there should be no quantitative requirements in Pillar II and in particular in the forward looking assessment of the undertaking's own risks as long as Pillar I is not finalised.

Overall it is not very clear what the intended level of implementation of these requirements is during the preparatory phase. More specifically, referring to the 80% threshold, It is difficult to understand how proportionality and flexibility will be applied at the national market level.

EIOPA should endeavour that national supervisors apply the requirements without any local additions. The supervision of the forward looking assessment of the undertaking's own risks process has to be proportionate to the purpose of the preparatory phase and not require an extensive amount of time for the undertakings. Also, any information addressed to the NCAs may not lead to any supervisory measures or sanctions during the preparatory stage of the interim measures.

Maybe it is useful to indicate in the cover note that some requirements, including the supervisory reporting on 1st pillar information and elements of the forward looking assessment of the undertaking's own risks, may change in function of the Omnibus II negotiations.

**Introduction General
Comment**

1.1

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1.7	It is not clear what should be mentioned in the progress report to the NCA's. Is it EIOPA's intention for undertakings to provide additional information to the NCA's in order for them to specify the content of the progress report?	
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1.10	Solvency II Pillar I elements should not be part of "Forward Looking assessment of the undertakings' own risk" (see our general comment).	
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Section I. General Comments	The submission of quantitative information should not be subjected to supervisory measures or sanctions (capital add-ons) from the NCA as Pillar I requires further adjustments before it can be applied. Any communication to the NCA in relation to the QRTs, the forward looking assessment of the undertaking's own risks or the narrative reporting may not lead to any specific regulatory measures from the NCA.	
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1.26	It should be clarified when the supervisors should notify companies if they fall within the proposed threshold, as in the Guidelines for reporting. This should be as soon as possible.	
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1.28	Double use of an internal model and the standard formula penalizes undertakings especially in the preparatory phase. Interim measures should focus on the preparedness of internal models instead of on the standard formula for undertakings engaged into the pre-application process. After approval on the use of an internal model, the NCA could require an estimate of the Solvency Capital Requirement determined in accordance with the Standard Formula (article 112 of the Directive).	
1.29	It is not clear why a submission of the "Forward Looking assessment of the undertaking's own risk" is expected in 2014 while the supervisory reporting should be submitted as from 2015. All reports should be consistently submitted in 2015.	
Section II. General Comments		
1.30	More guidance to national supervisors on proportionality could be beneficial during the	

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	preparatory phase to achieve more harmonisation.	
1.31	The role of the administrative, management or supervisory body is very vaguely described in this guideline. A more detailed description of the role would be welcome.	
1.32	As this guideline is repeated and further explained under guidelines 7, 8 and 9 it is proposed to leave it out of the final text.	
1.33	<p>The policy requirements for the forward looking assessment of the undertaking's own risks are more detailed than the ones described in the ORSA principles.</p> <p>Technical specification of the approach used for the forward looking assessment of the undertaking's own risks should not be part of the policy for the forward looking assessment which should include only general aspects of the risk assessment without focusing on specific elements of each record.</p>	
1.34	<p>While the Guideline states that the undertaking "appropriately evidences and internally documents each forward looking assessment of the undertaking's own risks and its outcomes", the Explanatory Text (section 3.18) sets out a list of additional points with significant detail, e.g. "[must include] Details of any planned relevant management actions, including an explanation and a justification for these actions, and their impact on the assessment".</p> <p>The Explanatory Text should only serve to provide additional guidance and not to set out additional requirements.</p>	
1.35	<p>A more detailed description of "all relevant staff" would be welcome.</p> <p>More guidance would be useful on the difference between the internal report received by the AMSB and the information to be communicated by the AMSB to the relevant staff (results and conclusions).</p>	
1.36	It is not clear on what basis the submission deadline of 2 weeks has been decided, neither what	

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	<p>“concluding the assessment” means. 2 weeks is a very strict deadline for a preparatory phase.</p> <p>A presentation of the used methods and main assumptions (b) is very burdensome and should be limited to a brief description or excluded from the supervisory report and available upon request.</p> <p>The requirement (c) seems premature for 2 reasons: the supervisory reporting is noly required as from 2015 (or even later); and a comparison with the available own funds is useless since companies are expecting the application of the grandfathering procedure during the first (10) years of Solvency II. Therefore it is proposed not to include the requirement (c).</p>	
<p>Section III. General Comments</p>		
<p>1.37</p>	<p>(See general comments) One should not forget that during the preparatory phase the Solvency I requirements and only predefined thresholds for Solvency II interim measures will apply. In this respect, EIOPA indicates in the cover note that it is not appropriate for NCAs to expect that all provisions are met in the same way by all undertakings during the preparatory phase. Accordingly, only the undertakings and groups that fall within that thresholds would be expected to perform Solvency II Pillar I calculations or any quantifications of the impact on the overall solvency needs of using a different recognition and valuation basis.</p>	
<p>1.38</p>		
<p>1.39</p>	<p>More detailed description of “material risks” and “a sufficiently wide range of stress test or scenario analyses” is needed. When is a risk material and how should be decided if a range of stress tests is sufficiently wide?</p>	
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<p>1.41</p>	<p>It is indeed important that the undertaking should run a continuity analysis so as to demonstrate its ability to manage risks in the long term. However it is not clear when a perspective is classified as medium term or long term.</p>	

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	<p>Also, small and medium firms should be allowed to run the assessment on an one year time horizon completed by a qualitative assessment on a longer term horizon, highlighting multi-year tendencies and developments.</p> <p>Finally, more detailed information on the formula and confidence level to be used to calculate the long term capital requirements would be welcome.</p>	
1.42	An assessment of compliance on a continuous basis with the Solvency II requirements regarding the composition of own funds across tiers (c) is an excessive requirement during the interim period as companies are still subjected to the Solvency I own fund requirements and counting on the grandfathering procedure thereafter. It is proposed to drop the requirement 1.42 c).	
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1.44	<p>This requirement can be implemented only if the assumptions of the SCR standard formula are finalised and the necessary background information is provided by EIOPA.</p> <p>Also, as the framework directive states that the ORSA “shall not serve to calculate a capital requirement” (cf. Art. 45 (7), Directive 2009/138/EC). there is a risk of an overly broad interpretation of Guideline by NCAs, leading indirectly to capital add ons or to an obligation to implement an internal model. The explanatory text should clearly indicate that this cannot be the purpose of the undertaking's forward looking assessment.</p>	
1.45	It should be clear that the insights gained during the process of this assessment are only for preparatory purposes. No conclusions or decisions should be made based on the outcome of the own risk assessment. If decisions are made based on the outcome of the assessment, undertakings possess two different decision-making frameworks (Solvency I and ORSA) which might lead to inconsistent results. For instance, it is not appropriate nor desirable to make decisions on capital management based on a forward looking assessment and Solvency II rules when prudential requirements for own funds under Solvency I still prevail. It is proposed to drop the requirement 1.45 a).	

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Section IV. General Comments	[Comments to provided by groups]	
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Compliance and Reporting Rules General Comments		
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