| 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 |
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| Name of Company: | CNA Insurance | |
| Disclosure of comments: | Please indicate if your comments should be treated as confidential: | Public |
| | Please follow the following instructions for filling in the template:<br>⇨ <u>Do **not** change the numbering</u> in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool<br>⇨ Leave the last column <u>empty</u>.<br>⇨ 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>.<br>⇨ Our IT tool does not allow processing of comments which do not refer to the specific numbers below.<br><br>**Please send the completed template, <u>in Word Format</u>, to CP-13-009@eiopa.europa.eu. Our IT tool does not allow processing of any other formats.**<br><br>The numbering of the paragraphs refers to this Consultation Paper, the numbering of cells refers to the Technical Annexes II and III. | |
| **Reference** | **Comment** | **Resolution** |
| **General Comment** | CICL supports the European Insurance and Occupational Pensions Authority's (EIOPA) goal of providing a "consistent and convergent approach with respect to the preparation of Solvency II"; however, we believe that requiring completion of, and continuous compliance with, Solvency II requirements well ahead of the official implementation date adds additional cost and complexity that in our opinion outweighs any potential benefit obtained from such early compliance. As proposed, the Interim Measures require undertakings to essentially operate under dual regulatory | |

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| | requirements which is both inefficient and overly burdensome. In addition, we have reservations about moving forward with what is essentially an early implementation of Solvency II prior to the adoption of Omnibus II, as we recognize there are still certain aspects of Omnibus II being debated and even those issues which have been resolved are subject to change until Omnibus II is formally adopted. Going through the cost and effort to comply with certain Solvency II requirements only to have them change prior to the full implementation of Solvency II would be a great deal of time, effort and resources wasted. | |
| **Introduction General Comment** | | |
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| 1.9 | CICL agrees with the notion that a forward looking assessment of an undertaking's own risks can be undertaken irrespective of what regulatory quantitative requirements are applicable; however, we note that the guidelines (Guideline 14, 15 and 16) require the assessment be performed as if the quantitiative requirements apply, thus requiring the completion of a full Solvency II balance sheet. Firms will also be required to produce a solvency capital requirement (SCR) and under the proposals firms would have to use the standard formula which has not been finalised or they may also be undergoing an internal model approval process while sumltaneously meeting these requirements. Please also see the comment related to paragraph 1.10 below. | |

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| 1.10 | While paragraph 1.9 acknowledges the assessment can be performed irrespective of the quantitative regulatory requirements, this paragraph states the assessment can only be performed on the basis as if the undertaking would need to comply with the quantitative requirements. CICL believes subjecting an undertaking to dual regulatory requirements is unduly burdensome. While complying with the Interim Measures would cause an undertaking to essentialy accelerate when it may have otherwise incurred certain Solvency II implementation costs, these costs are unnecessarily excacerbated by the need to simultaneously comply with current regulatory requirements in effect. | |
| 1.11 | | |
| 1.12 | CICL supports an outcomes focused approach and believe an understanding of what an undertaking views to be its key risks and its view of the capital required to support these risks can be achieved without having to reconcile to the quantitative Solvency II requirements not yet in effect. | |
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| 1.19 | CICL supports the notion that those undertakings applying for the approval of an internal model should use this model in the assessment of their overall solvency needs. Please see related comment in paragraph 1.28. | |
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| **Section I. General** | | |

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| **Comments** | | |
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| 1.26 | Please see comments related to Guidelines 14 and 15 (paragraphs 1.42 and 1.43). | |
| 1.27 | Please see comments related to Guidelines 14 and 15 (paragraphs 1.42 and 1.43). | |
| 1.28 | CICL believes being required to complete the assessment using an internal model (for those going through the pre-application process), as well as under the assumption that the model will ultimately not be approved is unduly burdensome. Such a requirement adds even more cost and burden to an undertaking already operating under the contraints of existing regulatory requirements as well as the Interim Measures using an internal model approach, thus effectively resulting in the need to comply with three separate sets of regulatory requirements. | |
| 1.29 | Please see comments related to Guidelines 14, 15, and 16 (paragraphs 1.42, 1.43, and 1.44). | |
| **Section II. General Comments** | | |
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| 1.36 | Please see comments related to Guideline 14 (paragraph 1.42). | |

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| **Section III. General Comments** | | |
| 1.37 | Guideline 11 , which requires an undertaking to explain how the use of different recognition and valuation bases than those required under Solvency II is more appropriate, requires continuous compliance with Solvency II well ahead of its implementation date, while an undertaking is still required to comply with existing Solvency I standards. | |
| 1.38 | See comment related to 1.37 above. | |
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| 1.42 | Guideline 14 requires continuous compliance with Solvency II well ahead of its implementation date, while also continuing to be subject to existing regulatory requirements. Being subjected to dual regulatory requirements is inefficient and costly for an undertaking. While we recognize the benefit of ensuring an undertaking is fully prepared for full Solvency II implementation on day one, we do not believe this benefit outweighs the cost of having to operate under dual regulatory regimes for a minimum of two years. The costs associated with such an endeavor would be great, and unnecessary. In addition, we recognize that certain aspects of Omnibus II are still being determined and even those which have been finalized are still subject to change up until the point that Omnibus II is adopted and the Level II Measures are released. Requiring an undertaking to implement Solvency II measures prior to the adoption of Omnibus II runs the risk of an undertaking implementing changes and processes that may need to later be revised, again resulting in excess and unnecessary costs. A single operative date from which Solvency II requirements would apply would alleviate a great deal of unnecessary cost and complexity. | |
| 1.43 | Guideline 15 requires continuous compliance with Solvency II well ahead of its implementation date, while also continuing to be subject to existing regulatory requirements. Being subjected to dual regulatory requirements is inefficient and costly for an undertaking. While we recognize the benefit of ensuring an undertaking is fully prepared for full Solvency II implementation on day | |

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| | one, we do not believe this benefit outweighs the cost of having to operate under dual regulatory regimes for a minimum of two years. The costs associated with such an endeavor would be great, and unnecessary. In addition, we recognize that certain aspects of Omnibus II are still being determined and even those which have been finalized are still subject to change up until the point that Omnibus II is adopted. Requiring an undertaking to implement Solvency II measures prior to the adoption of Omnibus II runs the risk of an undertaking implementing changes and processes that may need to later be revised, again resulting in excess and unnecessary costs. A single operative date from which Solvency II requirements would apply would alleviate a great deal ofunnecessary cost and complexity. | |
| 1.44 | Guideline 16 requires continuous compliance with Solvency II well ahead of its implementation date, while also continuing to be subject to existing regulatory requirements. Being subjected to dual regulatory requirements is inefficient and burdensome for an undertaking. While we recognize the benefit of ensuring an undertaking is fully prepared for full Solvency II implementation on day one, we do not believe this benefit outweighs the cost of having to operate under dual regulatory regimes for a minimum of two years. The costs associated with such an endeavor would be great, and unnecessary. In addition, we recognize that certain aspects of Omnibus II are still being negotiated and even those which have been finalized are still subject to change up until the point that Omnibus II is adopted. Requiring an undertaking to implement Solvency II measures prior to the adoption of Omnibus II runs the risk of an undertaking implementing changes and processes that may need to later be revised, again resulting in excess and unnecessary costs. A single operative date from which Solvency II requirements would apply would alleviate a great deal ofunnecessary cost and complexity. | |
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| **Section IV. General Comments** | | |
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| 1.52 | Please see comments related to Guideline 14 (paragraph 1.42). | |
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| **Compliance and Reporting Rules General Comments** | | |
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| **Impact Assessment – General Coments** | | |
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| 2.3 | CICL agrees with the general costs listed and would like to emphasize that the potential magnitude of the first cost should be a critical factor considered as it relates to requiring certain quantitiative thresholds within the Guidelines. | |
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| 2.5 | CICL agrees with this potential benefit, but notes that a forward looking assessment of an undertaking's own risks can be achieved without the undertaking being subjected to Solvency II quantitative requirements that are not yet effective, and in some cases not yet resolved, which | |

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| | therefore subjects an undertaking to dual regulatory requirements. | |
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| 2.7 | CICL agrees with the potential benefit identified in b), but notes that a forward looking assessment of an undertaking's own risks can be achieved without the undertaking being subjected to Solvency II quantitative requirements that are not yet effective, and in some cases not yet resolved, which therefore subjects an undertaking to dual regulatory requirements. | |
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| 2.33 | Please see comments related to Guidelines 14, 15, and 16 (paragraphs 1.42, 1.43, and 1.44). | |
| 2.34 | CICL believes that the goal of obtaining information on the forward looking assessment of an undertaking's own risks to improve insight into the risk profile of undertaking is an achievable goal without subjecting the undertaking to, in some cases, yet unresolved quantitative requirements. The second goal stated in this paragraph..."to be able to monitor the preparation for Solvency II quantitative requirements" is premature given those quantitiatve requirements are not yet finalized in all cases, and also excessive as it subjects an undertaking to dual regulatory requirements. | |
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| 2.41 | CICL agrees that an assessment of overall solvency needs can be performed irrespective of the regulatory capital regime in place, thus giving national competent authorities the insight they seek into an undertaking's overall risk profile. | |
| 2.42 | CICL agrees this would increase costs ,"for the moment", but further recognizes that needing to assess compliance with certain quantitative Solvency II requirements results in an undertaking being subject to dual regulatory requirements, thus causing it to incur additional costs that would not exist should there be a single operative date from which the Solvency II requirements would apply. In addition, we recognize that not all quantitative requirements are fully resolved which creates the potential for much greater costs being incurred if the final requirements differ from what an undertaking proceeds with implementing under the Interim Measures. | |
| 2.43 | While we appreciate that the assessment of continous compliance would help identify potential difficulties for undertakings to meet future Solvency II requirements, any benefit gained in this area would potentially be lost should these quantitative requirements change. We also agree that such an approach would help ensure that an undertaking is ready to comply with the quantitative requirements on day one; however, until those quantiative requirements are finalized, such a goal is unattainable. These benefits are also underscored by the costs associated with having to comply with dual regulatory regimes for a minimum two year period. | |
| 2.44 | Please refer to comments on paragraphs 2.41, 2.42, and 2.43 above. | |
| 2.45 | CICL agrees that a clear and transparent dialogue with national competent authorities is critical to ensuring appropriate prepraredness for Solvency II and believes such a dialogue could and should exist whether an undertaking is subjected to the continuous compliance requirements or not. | |
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| 2.47 | CICL agrees that providing a template for a structured report has the potential to compromise and influence the manner in which an undertaking performs its own forward looking assessment, which should be an undertaking specific assessment. | |
| 2.48 | CICL agrees with the rationale cited for not providing an example of a structured report. | |
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| 2.50 | CICL supports this conclusion. | |

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| 2.63 | While CICL believes a single operative date from which Solvency II will apply is the optimal solution, it finds having to provide such a policy is less onerous than being expected to early implement certain other Solvency II quantitative requirements. That being said, there is a cost associated with the development of the policy that will be excerbated if this task must be completed while an undertaking is subject to dual regulatory requirements in the form of existing regulatory requirements and the Interim Measures. | |
| 2.64 | CICL agree that such a policy has the potential to improve the quality of an undertaking's forward looking assessment, but note that the benefits obtained from having to provide this policy well ahead of full Solvency II implementation should be weighed against the costs as discussed above in paragraph 2.63. | |
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| 2.67 | While CICL continues to advocate a single operative date for which Solvency II will be effective, if an assessment of deviations from the standard formula are to be required, we agree that only | |

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| | those deviations deemed to be significant via an initial qualitative analysis need be quantified. Evaluating the significance of and potentially quantifying any deviations from the standard formula adds another layer of complexity to undertakings that are already complying with existing regulatory requirements, as well as the Interim Measures. In addition, CICL cautions against requiring an undertaking to develop processes and procedures to comply with a capital requirement calcuation that has not yet been finalized as the potential exists for the requirements as known today to change. | |
| 2.68 | CICL agrees with the difficulties listed as it relates to the quantification of deviations and believes that the costs incurred from having to quantify certain devaiations will outweigh any potential benefits. | |
| 2.69 | Please refer to comments above for paragraph 2.67. | |
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| 2.71 | CICL believes being required to complete the assessment using an internal model (for those going through the pre-application process), as well as under the assumption that the model will ultimately not be approved is unduly burdensome. Such a requirement adds even more cost and burden to an undertaking already operating under the contraints of existing regualtory requirements as well as the Interim Measures using an internal model approach, thus effectively resulting in the need to comply with three separate sets of regulatory requirements. | |
| 2.72 | Please see comments related to Guideline 14 (paragraph 1.42) and paragraph 2.71 above. | |
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| 2.76 | CICL agrees there are benefits to having a common understanding of the forward looking assessment of an undertaking's own risks; however, we believe this understanding can be obtained without requiring certain aspects of Solvency II to be effective well ahead of its full implementation date. | |
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| 2.79 | Please refer to comments on paragraph 2.71 | |
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| 2.81 | Please refer to comments on paragraph 2.67. | |
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| 2.83 | While CICL does not disagree that the additional costs for undertakings would be of a much minor scale compared to those required for full Solvency II implementation, the fact that undertakings will still be required to meet existing regulatory requirements while also complying with the proposed interim measures cannot be overlooked. The cost and complexity of operating under what we view to be dual regulatory reigmes is significant. | |
| 2.84 | While CICL does not disagree with some of the perceived benefits listed, we question whether these benefits are significant enough to justify the burden to undertakings in needing to comply with the Interim Measures. We further note that many of these benefits could be achieved without requiring what we view to be early implementation of Solvency II, particularly as it relates to the quantitative requirements. | |
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