

**Comments Template on
CP8 -Draft proposal for Guidelines on ORSA**

**Deadline
20 January 2012
12:00 CET**

Name of Company:	CEA	
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 cp008@eiopa.europa.eu. Our IT tool does not allow processing of any other formats.</p> <p>The numbering of the paragraphs refers to Consultation Paper 008.</p>		
Reference	Comment	
General Comment	<p>We support EIOPA's initiative in developing supervisory guidance on ORSA and find the guidance to have been set at a good level with some useful additional clarifications. Furthermore, we welcome the recognition that details of the ORSA are to be tailored by the undertaking reflecting their specific organisational structure, risk management practice and their business needs while still identifying the major components that need to be delivered, e.g. documentation on policies, processes, internal report and supervisory report.</p> <p>However we would like to stress that ORSA is a valuable tool for management purposes. Mixing this with regulatory requirements will dilute the value and overall effectiveness of ORSA to manage business planning against long term solvency needs. EIOPA's guidelines should therefore be principles based and avoid unnecessary</p>	

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	<p>prescription.</p> <p>ORSA should not serve to calculate a regulatory capital requirement. The SCR is calculated over a one year time horizon whereas ORSA will also look into the longer term business planning time horizon.</p> <p>An undertaking's business strategy will feed into the ORSA in terms of establishing the parameters for assessment. As such, the results will help the AMSB to fulfil this strategy while balancing the risk profile and risk appetite of the undertaking.</p> <p>In terms of ORSA reporting, we believe that the ORSA report should capture an undertaking's underlying management processes and should not be overly engineered. ORSA reports are prepared for the AMSB, and subsequently shared with the supervisor.</p>	
3.1.	<p>Article 45 of the framework directive provides an overview of the broad requirements which an ORSA assessment should include. Requirements in the draft Level 2 text focus on communicating ORSA results to supervisors. It should be consistently clear in the guidance that "interpretation" is on the part of the undertaking and not the supervisor.</p>	
3.2.	<p>The CEA shares EIOPA's interpretation that undertakings should decide how to perform their ORSA and support this 'substance-over-process' approach, especially with regard to practical application of the principle of proportionality.</p>	
3.3.	<p>We propose to align the wording of guidelines to that of Article 246(1) of the framework directive. The term "group level undertakings" is not defined. It could be interpreted as requiring non-insurance entities within groups to undertake the ORSA process at their entity level, even though this is not within the scope of Solvency II.</p> <p>In addition, only the participating insurance or reinsurance undertakings or the insurance holding company is required to undertake the ORSA at group level (Article 246(4) of framework directive).</p>	

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	<p>We therefore propose the following redrafting: "The guidelines apply to both solo undertakings and participating insurance or reinsurance undertakings or the insurance holding company, at the level of the group and to group level undertakings."</p> <p>"ORSA for groups" should be replaced by "ORSA at group level".</p>	
3.4.	We support that the guidelines will be applied uniformly to users of internal models and of the standard formula.	
3.5.		
3.6.		
3.7.		
3.8.		
3.9.	<p>Suggested wording: "Internal model users should use the model in the performance of performing the ORSA and, as part of the ORSA process, question it's the continued adequacy of the internal model for reflecting the risk profile of the undertaking."</p>	
3.10.		
3.11.		
3.12.		
3.13.		
3.14.	Reference should also be made to Article 246(4) of the framework directive. Please refer to paragraph 3.3.	
3.15.	Please refer to general comments and paragraph 3.2 with regards to 'substance over process' and examples of best practice.	

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3.16.		
3.17.	<p>The CEA supports that the timing of the ORSA process and report is at their discretion and is not necessarily at the same time as other regulatory and external reporting.</p> <p><u>ORSA Policy and Record of ORSA Process</u> It should be possible for undertakings to leverage off existing risk management and reporting policies and process. Therefore it should be clear that the ORSA documentation may refer to existing documentation rather than require anything new.</p> <p>In some cases it may not be necessary to separate the documentation of the ORSA Policy and Process</p> <p><u>Internal Report and Supervisory Report</u> ORSA is a valuable tool for management purposes and reporting of ORSA results should reflect this. Undertakings should have flexibility to determine whether the internal report would also service supervisory needs.</p>	
3.18.	Please refer to paragraph 3.17 for comments on the ORSA policy.	
3.19.	Please refer to paragraph 3.17 for comments on the record of ORSA results.	
3.20.		
3.21.	We appreciate that other valuation bases may be used which better reflect the nature, scale, and complexity of the business.	
3.22.		
3.23.		
3.24.		
3.25.	We agree that an insurer should do forward-looking analyses to demonstrate its ability to manage risk over the longer term.	

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	<p>To provide a very detailed breakdown per year of the business planning period would be however very burdensome and it should be clear that a simplified forward looking projection, is acceptable. Including for example a qualitative assessment highlighting multi-year tendencies and developments.</p>	
3.26.	<p>This guideline implies that the requirement in Article 45(1) (b) of the Framework Directive relates to the need to have procedures in place rather than the need to carry out an assessment of whether the undertaking will have sufficient funds to meet the SCR over the planning period. We believe that ORSA guidance should focus on the assessment and not the internal procedures of the undertaking.</p> <p>It should be clear that "potential future changes" are assessed within the business planning period.</p>	
3.27.	<p>To align the Guideline better with Article 48 of the framework directive, we suggest the following text: As part of the ORSA process the undertaking should ensure that the actuarial function provides input concerning compliance with the requirements for the calculation of technical provisions and the risks arising from this calculation.</p>	
3.28.	<p>The framework directive states that the ORSA shall not serve to calculate a capital requirement, we therefore object to the reference in these guidelines to "deviation from assumptions underlying the SCR calculation" which, in the draft Level 2 text, are one of the criteria determining whether a capital add-on should be applied.</p> <p>It is our interpretation that ORSA should focus on aligning quantifiable and non-quantifiable risks to the risk profile of the undertaking. This will ensure that the undertaking's internal second line of defence is robust enough to withstand risks in the current and future years within the business planning time horizon.</p> <p>ORSA should not be translated into the calculation of regulatory capital requirements.</p>	

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3.29.		
3.30.		
3.31.	<p>We propose to delete the last sentence of the guideline, the framework directive is clear on the definition of group supervision and elaborating on this is confusing.</p> <p>It should be clarified that an individual ORSA is not required of non-insurance entities or third country entities within the scope of group supervision.</p>	
3.32.		
3.33.	<p>Paragraph 3.32 requires the Group ORSA to be in the same language as the Group RSR. This paragraph elaborates that the group may be required to provide translations into local languages.</p> <p>This may undermine the benefits of performing a group ORSA.</p> <p>Translations should be limited to situations where the group supervisor must work specifically with that local supervisor with regards to the solvency situation of the group.</p>	
3.34.		
3.35.	<p>Guidelines 18 and 19 could be combined as they address the same matters. It should also be clarified that any requirements related to diversification effects apply only to those assumed at group level.</p>	
3.36.	<p>Please refer to paragraph 3.25 for comments on business planning time horizon. We support EIOPA's interpretation that this is to be determined by the undertaking.</p>	
3.37.	<p>It should be clarified that this refers only to (re)insurance entities regulated by Solvency II.</p>	

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3.38.	It should be clarified that the single ORSA document refers to the group ORSA and in such cases, that the single ORSA document would replace any requirement to report to any other than the group supervisor.	
3.39.	We express concern at the possibility that the group ORSA becomes an aggregation of solo ORSAs. The group ORSA should assess the group as a whole and should be presented as such.	
3.40.	<p>This guideline should be aligned with the guidance provided on the group SCR. For example, if the deduction & aggregation method is used for parts of the group, several of the assessments are not relevant.</p> <p>If the third country regime is considered to be equivalent there should be no need to state the consequences of applying local capital requirements and technical provisions calculations. Otherwise it could be interpreted that the equivalence decision has been contested.</p> <p>Therefore we would add at the end of the paragraph: "this requirement does not apply to undertakings whose country regime is considered to be equivalent".</p>	
3.41.		
3.42.	Too strict application of the comply or explain principle will undermine the real benefits of the "substance-over-process" approach, as well as the possibilities of individual adaptation to the ORSA requirements. There should be sufficient room left for deviation from the guidelines if alternative approaches are just as adequate in order to reach the goals of ORSA.	
3.43.	It should be considered very carefully whether EIOPA should make use of the option in Article 16 para. 3 sentence 7 of Regulation 1094/2010, to require that financial undertakings shall report whether they comply with the specified Guidelines. Our understanding is that guidelines are to help undertakings to interpret the rules and are not to be treated as legally binding text. The requirement to explain any non-	

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	compliance with a guideline in a detailed way will create another reporting obligation for undertakings. This means additional burden.	
3.44.		
3.45.		
4.1.	It should be clarified that ORSA that management have flexibility to structure and design the ORSA process to use as a tool for management purposes. Compliance with the guidelines will be specified internal to the undertaking because ORSA represents the undertaking's own view on its solvency assessment. .	
4.2.	<p>It is important to clarify that the meaning of the term "overall solvency needs" is different to a detailed calculation of the capital requirements over the complete planning horizon of the undertaking, cf. Article 45(7) of the level 1 Directive.</p> <ul style="list-style-type: none"> • For undertakings using the standard formula, it does not mean they have to project the standard formula over the complete planning horizon or develop an internal model for ORSA. • For undertakings using an internal model, the solvency needs over the next twelve months should be consistent with the internal model, but the methodology to determine solvency needs beyond the 12 months can be quite different. 	
4.3.	<p>We agree that the ORSA should encompass all solvency needs and should constitute an assessment of the risks an undertaking might reasonably foresee on an ongoing basis over a longer period of time. The ORSA time horizon should be aligned to the current business plan of the undertaking.</p> <p>The aim of the ORSA should be to complement and not to replace Pillar I requirements and in this respect, we disagree with EIOPA's general considerations. Please refer to paragraph 3.28 regarding the differences between ORSA and regulatory capital requirements.</p>	

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4.4.

Please refer to paragraphs 3.28 and 4.3 with regards to the differences between ORSA and regulatory capital requirements.

We disagree with EIOPA's statement that undertakings cannot simply rely on the regulatory capital requirements to be adequate for its business and risk profile. Undertakings should be able to rely on their regulatory capital requirements for the 1 year time horizon upon which their calculations are based. We believe the purpose of ORSA is to ensure that for each subsequent 1 year time horizon, the undertaking has considered non-quantifiable and emerging risks which may or may not materialise, and ensure that appropriate provisions are made in each subsequent 1 year time horizon.

Initial discussions indicated that the ORSA business planning time horizon would be between 3-5 years, however we appreciate that the exact term will be determined by the undertaking. We see that by considering additional risks over a different time horizon, ORSA fulfils a different purpose to that of regulatory capital requirements.

Supervisors will also have the power to raise the regulatory capital requirement via the use of capital add-ons, this would not only relate to deviation from the assumptions underlying the SCR, but also to the system of governance. The draft Level 2 text clearly states how capital add-ons would be calculated and applied.

Given that there are already many mechanisms in place to deal with the regulatory capital requirements, we propose that EIOPA recognise the benefits of having a sufficiently robust mechanism in Pillar 2 to help determine the sufficiency of the regulatory capital requirements in coming years.

4.5.

Regulatory capital and technical provisions are calculated according to a 1 year time horizon. ORSA will consider a longer time horizon which will identify upcoming risks not foreseen in 1 year calculations. In this respect we are unsure of EIOPA's expectations regarding "continuous compliance". It should not be required for undertakings to immediately incorporate any such risks into their regulatory capital calculations as they may/may not materialise.

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4.6.	This is an important and useful clarification which should be incorporated into the guideline itself.	
4.7.	<p>The framework directive and draft Level 2 text states that ORSA should be performed on an annual basis and following any significant change to the risk profile of the undertaking. It is therefore unclear to us what other factors might impact proportionality and more frequent performance of an ORSA.</p> <p>It should also be noted that the level of proportionality applied will be determined by the undertaking as ORSA is a management tool for undertakings.</p>	
4.8.		
4.9.	We query how broad the requirement would be to consider risks the undertaking "could face in the future". We assume it means all risks the undertaking would be exposed to given the existing business strategy over the business planning time horizon.	
4.10.	We query whether the management actions to be taken as a result of risk assessments require formal approval of the AMSB i.e. if this would involve a formal documentation process or if it could be determined within the day-to-day work flow of the undertaking.	
4.11.	<p>It should be made clear that the requirement in this paragraph relates to the AMSB as a collective body. Together they will have the sufficient expertise to fulfil their role.</p> <p>We find the term "European Insurance Company" unclear and propose the following suggested text: "As part of the ORSA process, the AMSB is also expected to monitor that the SCR calculation for the undertaking in a reasonable way, covering the undertaking's material risks and taking into account its risk profile, approved risk tolerance limits and business strategy.</p>	

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4.12.	<p>This paragraph implies a requirement for undertakings to establish and maintain a capital management plan. It should be sufficient to emphasise that it is the responsibility of the AMSB to assess the sufficiency of the current and future capital resources of the company, taking into account its business plan and the possibility of adverse circumstances.</p> <p>The use of the term “ensures” when assessing solvency needs under adverse circumstances assumes that this should be met at all costs and under all events. While an undertaking can have contingency plans available, which at the time of the assessment are considered to be appropriate, it cannot ensure this remains the case under all events.</p> <p>Suggested text: “This plan includes alternatives to ensure that provide undertakings with courses of actions which would restore the solvency adequacy needs can be met even under unexpectedly adverse circumstances occurring within the relevant timelines.”</p> <p>As a general comment, we find the term “long and short capital planning” confusing.</p>	
4.13.	<p>Please refer to paragraph 3.17 for comments on ORSA policy. We believe that the ORSA policy and record of each ORSA process will contain overlapping information.</p> <p>We therefore propose to include the ORSA policy as a section within the policy on general governance requirements highlighting the undertaking’s general approach and assumptions e.g. clarify the business planning time horizon. The framework directive does not specifically require a separate report on ORSA policy.</p> <p>By setting out in detail an ORSA policy in advance may commit the undertaking to an approach which, in practice, may not be the best in terms of gaining a view of the overall risk profile of the undertaking.</p>	
4.14.	Please refer to paragraph 3.17 for comments on ORSA documentation.	

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	<p>The requirements for the internal documentation of the ORSA process are too detailed. The level of detail should be decided by the undertakings.</p> <p>We propose to delete: “to a level of detail that enables a third party to evaluate the assessments performed”. Such requirements would result in unnecessary costs.</p> <p>It should be explicitly noted that the “overall solvency needs” do not include all material risks that a company faces.</p> <ul style="list-style-type: none"> • b) we propose to replace “capital allocation” with “risk appetite”, capital allocation is just one way to express risk appetite. • d), the requirement to assess parameter and data uncertainty, specifically for the ORSA should be deleted. Undertakings may use different approaches than correlation factors to measure dependencies. Undertakings can also determine overall solvency needs using simple stress tests without an explicit confidence level (see para 4.6). • f), it is enough to require "conclusions and the rationale for them", it should not be necessary to require "details on the ...". • k) “a record of the challenge process performed by the AMSB”, there is a risk that this will become overly burdensome (see also 4.11). • i) We believe the words “the expected capital means for covering these needs for each of these years”, are unclear. We do not see the ORSA as requiring undertakings to produce a comprehensive model for each year of the forward looking assessment. <p>Suggested additional text: “In addition, the company should record how risks, which are not included in the overall solvency assessment, were evaluated.</p>	
4.15.	We query what EIOPA’s intended deliverable is in this case, for example a description of the undertaking’s risk profile and particular risk types, quantitative figures etc.	
4.16.	Please refer to paragraph 3.17 for comments on ORSA documentation.	

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	<p>The ORSA is an undertaking driven initiative for management purposes, it is not a supervisory tool and should not be altered for supervisory purposes.</p> <p>Undertakings should have complete flexibility in how they design, perform and report their ORSA to best reflect the current and future situation of their business.</p>	
4.17.		
4.18.	Please refer to paragraph 3.25 with regards to simplified multi-year assessments. It should be clarified that short-term capital requirements refer to the SCR and long-term capital needs are assessed over the business planning time horizon.	
4.19.	We support EIOPA's recognition that risk mitigation tools are an appropriate method of managing any additional risks identified as a result of an ORSA.	
4.20.	In general, we believe that the amount of capital required is determined by the totality of the risks faced, allowing for diversification and the correlation between separate risks. Levels of materiality should be based on a discussion between the undertaking and supervisor well in advance of entry into force.	
4.21.	We propose that this explanation also allow for situations where the risk is partly covered by risk mitigation tools and/or partly covered by capital. This may arise in situations when the risk mitigation tool is not thought to sufficiently allow for full coverage.	
4.22.		
4.23.		
4.24.	We query what is meant by "all balance sheet effects" and to what extent they should be estimated and incorporated into an ORSA?	
4.25.		

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4.26.		
4.27.	Please refer to paragraphs 4.19 and 4.20 with regards to risk mitigation and techniques.	
4.28.	<p>Following completion of an ORSA, the undertaking should be able to provide an assessment of, and differentiate between, material and immaterial risks.</p> <p>While we agree that all risks should be covered by ORSA, there are certain risks which are handled more appropriately in a qualitative. It should be clarified in this paragraph that a "pure qualitative assessment" is also acceptable.</p> <p>Suggested text:"It could be "pure" quantification based on quantitative methodologies or an estimated value, or range of values, based on assumptions or scenarios, or more or less judgemental or purely qualitative. It is however required that the undertaking demonstrates the rationale for the assessment."</p>	
4.29.	This proposal would be prudent if the solo entity belongs to a group whose parent is not based in the EEA or a (re)insurance undertaking. However this seems to be duplicating work if group specific risks are taken into account at both the Group and Solo level.	
4.30.	Please refer to paragraphs 4.19 and 4.20 with regards to risk mitigation and techniques.	
4.31.	<p>Please refer to paragraph 3.24 for comments on the overall solvency needs.</p> <p>We propose to delete point c from this paragraph -"Assess the quality of processes and inputs, in particular the adequacy of its system of governance...". This seems a very broad requirement going beyond the scope of ORSA and should be removed.</p> <p>Please refer to paragraphs 3.28 and 4.4 with regards to capital add-ons and the system of governance.</p>	

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4.32.		
4.33.	Please refer to paragraph 3.25 for comments on time horizons particularly the business planning time horizon and the use of qualitative assessments.	
4.34.	<p>It is unclear to us whether the text in this paragraph implies that entities in a winding up situation do not have specific requirements for ORSA.</p> <p>With regards to reconciliation requirements, please refer to paragraph 3.25 for comments on the use of qualitative assessments.</p> <p>We propose to change the last sentence as follows, "these projections, <u>if required,</u> are to feed...". This provides consistency with the previous sentence, which suggests that the projections "may be required" rather than that they will be required.</p>	
4.35.	<p>Scenario testing requires a lot of resources and we do not believe that undertakings should be required to complete an unlimited amount of tests. Analysing a few scenarios can provide competences and insights into many situations that may impact on the business plan.</p> <p>Suggested text: "... a range of possible scenarios for the plan have to be tested" should be replaced by "... relevant scenarios for the plan have to be tested".</p> <p>Please refer to section 3.25 for comments on long-term time horizons.</p>	
4.36.	It should be clarified that "material external factors" refer to those that may arise within the business planning time horizon, and not to pre-defined events, which would result in a re-run of the ORSA.	
4.37.	It should be clearly mentioned that different methods can be used and that an internal model is not always required. As it currently stands the text could be interpreted as such that the internal model would need to be applied to each future	

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	<p>year or else the standard formula framework should be used for future calculations.</p> <p>Suggested text: It is up to each undertaking to decide on its own reasonable methods, assumptions, parameters, dependencies correlations or levels of confidence to be used in the projections.</p>	
4.38.	<p>It is unclear what the relationship is between required stress tests, reverse stress test, sensitivity analysis, scenario analysis and the ORSA process (regular / non regular). Undertakings should have flexibility to decide whether stress tests or scenario analyses are necessary given their risk profile.</p> <p>Suggested text: "<u>undertakings should carry out any of the following:....?</u>"</p>	
4.39.		
4.40.	<p>It must be clarified that all choices arising from this paragraph will be assessed at the discretion of the undertaking. For example, what aspects should be calculated/estimated, the required level of volatility and solvency.</p>	
4.41.		
4.42.	<p>We see no reason to require separate information on EPIFP in the ORSA. If there is an issue as regards EPIFP, it should be addressed in regular supervisory activities, rather than in the ORSA.</p>	
4.43.	<p>Please refer to paragraph 4.42 on EPIFP.</p>	
4.44.		
4.45.		
4.46.	<p>This is a requirement of the framework directive. We do not understand its relevance in the context of Level 3 guidance.</p>	
4.47.		

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4.48.	The words "... and risks arising from the calculation ..." should be deleted or explained more clearly, we do not understand what kind of risks EIOPA refers to.	
4.49.	Please refer to paragraph 3.28 regarding deviation from assumptions underlying the SCR or system of governance.	
4.50.		
4.51.	We query whether it is EIOPA's intention for undertakings to confirm the adequacy of all assumptions and distributions in standard formula, and ultimately prove that the standard formula meets its risk profile?	
4.52.	<p>It should be clear that additional risks arising from the ORSA should not automatically result in a capital add-on. The risks will be assessed over a different time horizon, they may be of a different nature to those requiring a regulatory capital requirement and they may/may not materialise.</p> <p>The ORSA should not be used in determining an undertaking's regulatory capital requirement.</p>	
4.53.	<p>The undertaking should be in charge of determining whether there is a significant deviation between their risk profile and the assumptions underlying their SCR, taking its risk profile and capital strength into account.</p> <p>We do not expect undertakings to dispose with specific business ("de-risking") in cases where the risk profile of their business is not well captured by regulatory assumptions. We propose to delete the last sentence of the paragraph.</p> <p>We understand that "significant deviations" are dealt with in the draft Level 2 text and we think the methodology should be based on both thresholds and criteria. For the thresholds, we think that a sole percentage of SCR is not likely to be proportionate. Instead the thresholds should be monitored in line with the solvency ratio. A</p>	

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	<p>proportionate way of monitoring significant deviations should consider both a percentage of the SCR and the solvency ratio of the undertaking.</p> <p>To reflect that ORSA is an undertaking driven process, we propose the following redrafting: "If the outcome of this qualitative and <u>or</u> quantitative assessment is ..."</p> <p>To correspond with the ORSA goals of individual approaches, this possibility should be left to undertakings based on their knowledge and management of their risk profile. This would determine whether a quantitative or qualitative approach is taken here. The underlying point is that undertakings are able to articulate the differences arising from calculations and assessments performed on different bases.</p>	
4.54.	We agree with EIOPA that the capital requirement calculated as the SCR, and the overall solvency needs as identified through the ORSA, cannot be directly compared.	
4.55.		
4.56.		
4.57.	<p>Internal models will be subject to the requirements set out in Articles 120 to 125 of the framework directive for example, use test, statistical quality standards etc. Compliance with internal model requirements should be viewed separately from the ORSA.</p> <p>Undertakings using the standard formula should not be precluded from using more sophisticated approaches for specific risks included in the ORSA.</p>	
4.58.	<p>Please refer to paragraph 4.57.</p> <p>This will already be done as part of the Use Test. There should no additional requirement to undergo something as rigorous as a new internal model approval process on an annual basis.</p>	
4.59.	We support EIOPA's comment that there should be no repetition of the same tasks.	

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4.60.	We propose that the following part of the last sentence is deleted: "...and whether the internal model deals with the risks it covers appropriately." This will be part of the internal model validation process.	
4.61.	We propose that the below paragraph is amended: e) the impact of minor changes done to the model are captured and reported to AMSB and supervisor through reporting requirements on the model changes. We do not see the benefit of systematically replicating this in ORSA.	
4.62.		
4.63.	Please refer to paragraph 3.28 regarding deviation from assumptions.	
4.64.	Please refer to paragraph 4.52 regarding application of regulatory capital add-ons.	
4.65.	Please refer to paragraph 4.58 for comments on the Use Test EIOPA's explanatory text should clarify that it is possible to provide a cross-reference to the internal model validation report.	
4.66.	The paragraph should be deleted. Any model errors should be addressed as part of a fast track validation process.	
4.67.	This paragraph should be amended as follows: "...these circumstances are unlikely to happen within a short timeframe, the effects are not material , or that it has taken appropriate measures to adapt its model to these particular circumstances."	
4.68.		
4.69.		

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4.70. EIOPA include many different concepts in this, and subsequent paragraphs, which we believe go beyond the underlying purpose of the guideline.

An undertaking will feed into its ORSA, information on its business planning and product development and design. This will be assessed alongside the future risk profile and solvency needs of the undertaking. The ORSA results will assist the AMSB to steer the undertaking in this direction.

It is important to stress that this is an undertaking driven process and we would therefore propose to remove the phrase "regulatory capital requirements" from this paragraph.

4.71. We do not share EIOPA's interpretation that ORSA is required to reflect an undertaking's business strategy. ORSA will **consider** an undertaking's strategy in the context of its future environment/solvency needs. Just as the AMSB will **consider** the output from ORSA when determining whether to adopt that exact strategy.

We support that EIOPA make reference to materiality in terms of the overall affect on risk and/or own funds position of the undertaking. However we believe that materiality should also be considered in terms of implications on strategy.

For example with product development, undertakings would apply a different strategy depending on the type of product. A product covering exiting classes of business would warrant a different strategic approach than a product being introduced to the market for the first time.

We would therefore propose the following redrafting:

Suggested text: ".the AMSB needs to be aware of the implications, **and materiality**, strategic decisions have on the risk profile and ~~regulatory capital requirements~~ and overall solvency needs of the undertaking...".

Product development and design is usually, but not always, immaterial in the context

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	of the ORSA results.	
4.72.		
4.73		
4.74.		
4.75.		
4.76.	<p>We propose the following redrating: "Such significant changes may follow from internal decisions..."</p> <p>This paragraph could be read that starting a new line of business would trigger an out-of-cycle ORSA.</p>	
4.77.	<p>We propose to delete the word "all".</p> <p>Suggested text: "The group ORSA adequately captures all the specificities of the which are material from group perspective, including at least ..."</p> <p>It should be clarified that contagion risk is not a standalone risk but consequence or manifestation of other risks for which there should be no additional capital requirement.</p>	
4.78.		
4.79.		
4.80.	Impediments to accessing information may result in the entity being excluded from group solvency calculations. If this is the case, detailed information on the entity should not be required for the group ORSA as it would not impact on the solvency position of the group.	
4.81.	It should also be clarified in this section that regulated non-(re)insurance undertakings are not required to carry out a solo ORSA. This is consistent with paragraph 4.79 and 4.83.	

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	Undertakings that do not have to comply should not be obliged to carry out Solvency II requirements. This goes much beyond the mandate of the framework directive.	
4.82.	Including groups with predominantly banking business is unnecessary. This would be covered by banking sectoral legislation. To avoid complicating the guideline, EIOPA could make reference to this sectoral legislation.	
4.83.		
4.84.		
4.85.	<p>We question the interpretation of the last row of EIOPA's table i.e. "Subsidiary not included in group". This implies that Groups have the option to submit a partial Group-wide ORSA which would include some entities but exclude others. We request that EIOPA provide clarification on this.</p> <p>Point b) should be redrafted as follows: replace "subsidiaries" with "subsidiary insurance or reinsurance undertakings". It must be noted that Article 45 of the framework directive applies only to insurance and reinsurance undertakings.</p> <p>It should be clarified that "to all supervisory authorities concerned", means "the supervisory authorities of the subsidiary insurance or reinsurance undertakings where the assessment was undertaken, at the same time of the assessment at group level."</p> <p>This is in line with the framework directive.</p>	
4.86.		
4.87.		
4.88.	Suggested text: " ...If they are identified as material, quantifiable and impacting own funds they will ..."	
4.89.	This paragraph makes reference to group risks. Contagion risk is not a standalone risk	

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	<p>but a consequence or manifestation of other risks, for which there would be no additional capital requirements. As noted in the Solvency II Framework Directive “the ORSA shall not serve to calculate a capital requirement” article 45 (7).</p> <p>The exact risks that arise at group level will depend of the group itself, we therefore propose the below redrafting suggestion:</p> <p>Suggested text: “The group specific risks <u>may</u> include at least:”</p> <p>In relation to the specific sub-points in this paragraph:</p> <p>a) We wish to reiterate that contagion risk is a standalone risk for which there would be no additional capital requirement.</p> <p>d) Should be deleted. We do not agree that currency risk is a group specific risk.</p> <p>e) The definition of complexity risk is not clear and we do not believe it is group specific. It is unclear whether it is already included in operational risk.</p> <p>f) Strategic risk may occur in solo entities as well as in groups.</p> <p>As a general comment, there are no concrete definitions of such risks and we believe that the list is too extensive.</p>	
4.90.	<p>A comparison of the sum of the solo SCRs against the Group SCR does not necessarily give any an indication of diversification effects. Other effects, such as assets and liabilities in holding companies or different treatments of participations would lead to misleading conclusions in the context of diversification effects. We therefore propose to delete point b).</p> <p>The reference to 3.14 appears to be incorrect. Paragraph 3.14 outlines the terminology used in this consultation when referring to “group”, “group ORSA” and “group wide ORSA”. It does not outline additional requirements.</p>	
4.91.	<p>Please refer to paragraph 4.90 for comments on diversification effects. We believe that the proper place for analysis of diversification effects is in the regular supervisory</p>	

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	report.	
4.92.	<p>It will be very challenging to allocate diversification effects at group level to each entity of the group.</p> <p>It will also be challenging to carry out appropriate sensitivity analyses of diversification effects at group level, and group solvency, with respect to material changes of the group structure. The group ORSA process should focus on a qualitative assessment of these issues.</p> <p>The exact assessment/s should be determined by the undertaking.</p> <p>Suggested text: c) appropriate sensitivity analysis, stress and <u>/or</u> scenario analysis..”</p>	
4.93.		
4.94.	The exact assessment/s should be determined by the undertaking.	
4.95.	Please refer to paragraph 3.31 with regards to the definition of group supervision. With regards to entities not included in the scope of group solvency calculations, detailed information on the entity should not be required for the group ORSA as it would not impact on the solvency position of the group.	
4.96.	We propose to replace “subsidiaries” with “subsidiary insurance or reinsurance undertakings”.	
4.97.	In cases where the group has a centralised risk management structure and submission of a single Group ORSA is accepted by supervisors, the requirement to have results for each individual subsidiary does not make sense.	
4.98.		
4.99.	Please refer to paragraph 3.40 for comments on third country entities and paragraphs	

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	<p>3.28, 4.3 and 4.4 for comments on deviation from the assumptions underlying the SCR.</p> <p>This paragraph discusses how third country entities are included in the Group ORSA. It should not refer to compliance with solvency requirements, solvency assessments or to supervisory action.</p> <p>A homogeneous ORSA approach even in case of non-equivalent regimes could be too difficult and onerous to meet. The last sentence of c) should be deleted.</p> <p>Row 4.100 is missing: we find this paragraph unclear. The ORSA guidelines cover in detail the group ORSA and third country undertakings. All information on the group ORSA should already be incorporated into the previous paragraphs/sections. A separate report should not be required.</p>	
5.1.	<p>The CEA has completed this consultation on a best effort basis and unfortunately owing to the short deadline for comment, it has not been possible to undertake a full cost/benefit impact assessment.</p>	
5.2.		
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5.10.	<p>We support EIOPA's interpretation in this paragraph, particularly that ORSA is a self assessment performed by undertakings with sufficient flexibility to allow the undertaking to choose the best approach for them. In this sense, it would be useful to clarify that the performance of ORSA will depend on what needs to be achieved by the</p>	

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	undertaking and as such, results will differ per undertaking.	
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5.22.		
5.23.	Please refer to paragraph 3.17. We do not support an additional documentation requirement for ORSA policy. This should be dealt with under the general policy required as a section within the policy on general governance requirements.	
5.24.		
5.25.	We support EIOPA's initiative to draft supervisory guidelines on ORSA as it is beneficial to understand the supervisory perspective when determining expectations. As mentioned in paragraph 3.2, the CEA would welcome the opportunity to discuss with EIOPA examples of best practice. While not suitable for the guidelines themselves, some undertakings are still in the process of developing a clear understanding of the ORSA process and may benefit from more examples of best practice.	
5.26.	Please refer to paragraph 3.27 on ORSA policy.	
5.27.	Insurance and reinsurance undertakings should develop their self-assessment exercise	

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	as deemed appropriate, to their specific risk profile, their risk tolerance limits, as approved and in line with the undertaking's business strategy. We believe that this should be an undertaking driven process.	
5.28.	<p>We query whether it is intended to require a quantitative assessment of all deviations from the standard formula regardless of their importance (option 4), if so, this would result in an excessive and unnecessary work load.</p> <p>Please refer to paragraphs 3.28, 4.3 and 4.4 for comments on deviations from the assumptions underlying the SCR.</p>	
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5.42.		
5.42.	Please refer to paragraph 3.2 for comments on ORSA guidelines and examples.	
5.44.		

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5.45.		
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5.53.		
Q1.	The guidelines are useful in reinforcing what is expected to be achieved by the ORSA but in cases the explanatory text goes beyond this. For example the difference between regulatory capital requirements and overall solvency needs.	
Q2.	<p>With Guideline 16, the Group ORSA requirements, it would be useful to have a statement noting which entities are required to perform an ORSA, and which are not required to perform on ORSA. For example, are regulated non-(re) insurance EEA entities required to perform an ORSA? For example where insurers have an asset management subsidiary that are not subject to Solvency II regulations but are regulated in the EEA.</p> <p>Examples such as this would ensure greater clarity in the interpretation of the guidelines. Terminology should be used in a consistent way, when dealing with sections on groups we often found this was not the case.</p>	
Q3.		
Q4.	<p>Guideline 4, ORSA policy requirements seem particularly onerous in relation to stress tests and data quality.</p> <p>Guideline 16, the inclusion of all non-regulated entities in the scope of group ORSA, seems onerous especially from a materiality and proportionality point of view.</p>	

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Q5.	<p>The benefits may only appear long after Solvency II comes into effect, as there is still uncertainty with material aspects of Solvency 2 such as matching premium, contract boundaries, EPIFP, etc.</p> <p>Benefits from Pillar 2 may only be seen once firms fully grasp the implications of Solvency II on their own balance sheet, and on the industry as a whole.</p>	
Q6.		
Q7.	<p>With Option 3, it would have been useful to have examples on the ORSA report, particularly for the benefit of smaller firms, which may not have the resources to develop their own ORSA initially. While not suitable for the guidelines themselves, examples of best practice would potentially reduce the burden for these undertakings.</p> <p>If this approach were to be developed, EIOPA could of course reinforce that the examples are a guide only and leave firms to develop their own style if they choose to do so.</p>	
Q8.		
Q9.		