

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

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

Name of Company:	Deloitte	
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"> ⇒ <u>Do not change the numbering</u> 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 believe that this Consultation Paper (CP) helps in understanding the requirements of Solvency II with regard to the ORSA. Overall, the CP provides guidelines on the ORSA, but being a complex topic and a fundamental part of Solvency II we think that EIOPA should continue also efforts to address the challenges being faced in interpreting the requirements (e.g. developing and embedding an ORSA process which is appropriate for your business and documenting your assessment). We understand the decision of EIOPA not to elaborate in many details on how undertakings have to perform the ORSA, but rather what is to be achieved. However we believe additional examples or detailed operating guidelines could take away some uncertainty regarding the implementation of the ORSA (e.g. continuous compliance with the regulatory capital and technical provisions and the assessment of any deviation between the undertaking's risk profile and the assumptions underlying the SCR calculation, to which, as said by paragraph #4.5, the supervisory expectations are more specific). Guidelines seem also to be focused on financial assessments rather than non-financial assessments.</p>	

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	<p>Moreover, we believe some essential concepts are lacking, such as:</p> <ul style="list-style-type: none"> • Risk Appetite is an important aspect of the ORSA, but is not mentioned as such in the CP • The CP does not mention back-testing throughout the document, while undertakings are in many cases required to test / assess the deviations, assumptions and calculations of technical provisions for instance. <p>Please consider to add a dictionary of terminology used.</p>	
3.1.		
3.2.		
3.3.		
3.4.	<p>Comment: Throughout the paper there is no reference to partial internal model users. Proposed new wording (change is highlighted in green): "The guidelines apply similarly to standard formula and (partial) internal model users⁽¹⁾ with some additional explanations dedicated specifically to the latter." <small>Footnote (1)</small> Where the guidelines use the term 'internal model', this includes as well partial internal model users.</p>	
3.5.		
3.6.	<p>Comment: The reader could wrongly understand that the undertaking may choose one or another body in case multiple bodies are installed. The "or" implies that administrative, management and supervisory body can be alternatives and the undertaking may choose to exclude one or the other. It is key that all AMSB bodies (or more generally - depending on national corporate governance rules - all executive and supervisory bodies) are aware of the risks and take an active role in the process. Proposed new wording (change is highlighted in green): "It is crucial that the administrative, management and supervisory body (AMSB) are aware of all risks the undertaking faces, regardless of whether the risks are included in the SCR calculation or whether they are easily quantifiable or not and that the AMSB also takes an active role in the ORSA process, directing and challenging the performance."</p>	
3.7.	<p>Comment: To express that the approach should not necessarily be complex but must be sufficiently</p>	

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	comprehensive to effectively reflect the risks, we believe that it would be appropriate to state that the approach should reflect the risk profile. Proposed new wording (change is highlighted in green): "The assessment of the overall solvency needs does not necessarily call for a complex approach. But it would have to be sufficiently comprehensive to effectively reflect the undertaking-specific risk profile. "	
3.8.	Comment: The wording « <i>at the same moment in time</i> » is vague. The wording should make clear that all data should refer to the same reference date. Since ORSA should be an integral part of strategic planning, the ORSA and the strategic planning process should be aligned with strict timelines of SCR calculations. Proposed new wording: "The assessment of the significance of any deviations between the undertaking-specific risk profile and the assumptions underlying the SCR calculation requires that the risk profile of the undertaking as established for the ORSA and as part of the SCR calculation are based on the same reference date. "	
3.9.	Comment: While the use of an internal model in the performance of ORSA is critical, EIOPA should add that this does not preclude from using simplified models in areas of ORSA where the complexity of an internal model would lead to an unpractical process. This applies in particular to: i) multi-year projection of economic balance sheet and solvency position (e.g. including future business, which is not taken into account for SCR calculations); ii) the monitoring of the risk profile between reporting milestones.	
3.10.	Comment: We understand that, in order to apply for the Group Wide ORSA, each entity of the group should have already demonstrated its compliance with the requirements of the art. 45. Since the ORSA is supposed to demonstrate the adequacy to the article 45, before applying for the Group Wide ORSA, each undertaking should perform, at least, one solo ORSA and the mother company one Group ORSA, in order to determine its adequacy? We think this point could be clarified.	
3.11.		
3.12.	Comment: This paragraph is unclear regarding what is "the first case" and "the second case".	

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3.13.		
3.14.	<p>Comment: While a clear definition of "group-wide ORSA" is welcome, we do not think that the simultaneous execution at Group and local level is enough to define it.</p> <p>Proposed new wording (change is highlighted in green): "the term "group wide ORSA" means the ORSA undertaken at the level of the Group and at the level of the subsidiaries at the same time, based on the same reference date and period, and formalized in a single document, when supervisory agreement is given to do so". We believe this should be proposed in the Level 2 guidelines.</p>	
3.15.		
3.16.	<p>Comment: The approval of the (internal and supervisory) ORSA report by the AMSB should be explicit, as the ultimate evidence of their involvement in the process. This is not clearly stated in the explanatory notes (4.8 to 4.12). In the case of ORSA, undertakings should be free to determine which body is best placed to fulfil this role depending on their management structure rather than on their legal (solo) structure.</p> <p>Proposed new wording (change is highlighted in green): "(...) challenging its results. This should at a minimum include the validation of the ORSA report(s) by the AMSB with most influence on the undertaking's business strategy and risk management".</p>	
3.17.	<p>Comment: We understand that each ORSA process will result in two reports, one for internal purposes and one for the Supervisory Authority (though cf. 4.16. an undertaking may opt for one single report). We understand that no indications about the differences, if any, between the two reports (e.g. the kind, level and granularity of information) will be disclosed, since the ORSA is an internal evaluation of each individual undertaking. Therefore one will be able to decide how to design the Supervisory Report (provided that information about solvency position, risk profile, projections etc. will be obviously requested). Furthermore, we understand that, since the ORSA will be reviewed by the Supervisor through the ORSA Supervisory Report, it will be part of the Supervisory Review Process. So, the RSR reporting considers that a specific ORSA Reporting will be provided and therefore no longer include detailed information about the ORSA (as it seems considering the CP009 about the Narrative Public Disclosure & Supervisory Reporting). We think that producing a specific reporting about the ORSA and also including the same information in the RSR could be too burdensome, therefore these two points could be clarified,</p>	

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	<p>stating that the ORSA Supervisory Report will be the unique “official” reporting to the Supervisor about the ORSA and clarifying the linkages with the pillar 3 reporting.</p> <p>Secondly, while we recognise that ORSA must be adapted to each undertaking’s situation, we believe that a minimum content for the supervisory report would be useful in order to facilitate the discussion with the supervisor. Proposed items are:</p> <ul style="list-style-type: none"> • Executive summary • Assessment of the risk management system • Assessment of current risk profile and solvency position • Assessment of the forecast risk profile and solvency positions • Key events and changes since the last ORSA. <p>We also believe it is not clear what is meant by “<i>each ORSA process</i>” and whether this refers to the Group process and the processes on subsidiary level or this refers to the assessment processes underlying the ORSA. We suggest to include a definition of each ORSA process.</p>	
3.18.	<p>Comment: In order to avoid redundant documentation efforts, the ORSA policy should refer to other existing policies and procedures, in particular regarding data quality (e.g. data policy), stress tests / sensitivity analyses (e.g. internal model documentation, strategic planning).</p> <p>Regarding data quality, we propose not to include specific requirements in the ORSA, but state that undertakings must be mindful to use sound data in all information processes.</p> <p>As no reference to risk appetite is included, we suggest to include more emphasis on the link between the risk profile, the risk appetite and approved tolerance limits.</p> <p>Proposed new wording (change is highlighted in green): “(iii) The frequency and timing for the performance of the (regular) ORSA and the circumstances which would trigger the need for an ORSA outside the regular timescales.”</p>	
3.19.	<p>Comment: As the ORSA process interacts with several business processes (e.g. strategic planning, risk taking and management processes, etc.), the evidence and documentation from these processes should be accepted as evidence and documentation of the ORSA process in order to avoid redundant documentation efforts.</p>	

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3.20.	<p>Comment: The requirement that '<i>information on the results and conclusions regarding the ORSA should be communicated to all staff for whom the information is relevant</i>' is quite broad. We suggest that staff receives relevant information (which could be a subset of results and conclusions from the ORSA report) necessary for the proper execution of their tasks, which may vary per individual.</p> <p>Proposed new wording: "Once the process and the result of the ORSA have been signed off by the administrative, management or supervisory body, at least relevant information (which could be a subset of results and conclusions from the ORSA report) necessary for the proper execution of their tasks, should be communicated to all staff concerned."</p>	
3.21.		
3.22.	<p>Comment: This requirement would benefit from additional clarification. Does it require the undertaking to assess capital using the SII basis to assess the impact of using different bases?</p>	
3.23.	<p>Proposed new wording (change is highlighted in green): The undertaking should express the overall solvency needs in quantitative terms and complement the quantification by a qualitative description of the identified risks.</p>	
3.24.		
3.25.		
3.26.	<p>Comment: The requirement "<i>to monitor and manage the quality and loss absorbing capacity of its own funds</i>" seems unrealistic for more than one future year. We propose to stress that the forward-looking aspect also includes a proactive contingency planning (or management intervention plan).</p> <p>Proposed new wording (change is highlighted in green): "3.26. The undertaking should ensure that the ORSA includes: a) (...) b) processes and procedures to allow the undertaking to monitor and manage the quality and loss absorbing capacity of its own funds over the whole of its business planning period, including a contingency plan using predefined action plans, e.g.: dividend reduction, asset liquidation, capital raise or other."</p>	

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3.27.		
3.28.	<p>Comment: If the SCR is based on an internal model, then this model should also be used in ORSA. If the risk profile deviates materially from the assumptions underlying the SCR calculation based on the Standard Formule, then the Standard Formule is not appropriate for the undertaking and the deviation should not be quantified and documented, but the undertaking should use an appropriate model to calculate the SCR.</p>	
3.29.	<p>Proposed new wording (change is highlighted in green): "The undertaking should take the results of the ORSA and the insights gained in the process into account at least for the system of governance including long term capital management, strategy and business planning, product development and design."</p> <p>Comment: The ORSA could be run more than once a year (on triggers to be determined by the company) and take into account capital requirements and financial resources. Its results of the ORSA should allow capital management at all time so as to ensure compliance with capital requirements.</p> <p>Proposed new wording (change is highlighted in green): "(...) take the results of the ORSA and the insights gained in the process into account at least for the system of governance including short, medium and long term capital management, business planning and product development and design."</p>	
3.30.	<p>Comment: The concept of trigger is not mentioned in this guideline where it is clearly identified in the underlying paragraphs.</p> <p>Proposed new wording (change is highlighted in green): "The undertaking should perform the ORSA at least annually. Notwithstanding this, the undertaking has to establish the frequency and triggers of the assessment itself particularly taking into account its risk profile and the volatility of its overall solvency needs relative to its capital position. The undertaking should justify the adequacy of the frequency of the assessment."</p>	
3.31.	<p>Comment: <i>3.31. (...) All of the entities that fall within the scope of the group supervision should be included within the scope of the group ORSA.</i> We believe additional clarification would be helpful to clarify how the banking entities within the scope of the group supervision are to be</p>	

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	included within the scope of the ORSA and how risk diversification between bank and insurance entities may be taken into account. <i>Cf. also 4.83. Whilst unregulated entities are not subject to solo supervision and are not expected to perform ORSA at the solo level, they have to be included in the scope of group ORSA. We also believe additional clarification would be helpful to demonstrate how unregulated entities are to be included in the ORSA.</i>	
3.32.		
3.33.	Proposed new wording (change is highlighted in green): "In case of a group wide ORSA, where any of the subsidiaries has its head office in a Member State whose official languages are different from the languages in which the group wide ORSA is reported, the Member State supervisory authority concerned may, after consulting the group supervisor and the college of supervisors, require the undertaking to include a translation of the part of the ORSA information concerning the subsidiary into an official language of that Member State unless exemption has been granted by the supervisory authority concerned."	
3.34.		
3.35.		
3.36.	Comment: Typo; "Froward" should be "Forward"	
3.37.		
3.38.		
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3.44.		
3.45.		
4.1.	Proposed new wording (change is highlighted in green): "Article 45 requires the undertaking to perform a regular ORSA as part of the risk management system. The main purpose of the ORSA is to ensure that the undertaking engages in the process	

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	of assessing all the risks inherent in its business and determines its corresponding capital needs. To achieve this, an undertaking must have adequate, robust processes for identifying, assessing, monitoring, measuring and reporting its risks and overall solvency needs, while ensuring that the output from the assessment is embedded into the decision making processes of the undertaking. Conducting an assessment of the overall solvency needs properly involves input from across the whole undertaking. The ORSA is not complied with by just producing a report or by filling templates."	
4.2.	Comment: The ORSA should take into consideration qualitative as well quantitative risk tolerance limits. Proposed new wording (change is highlighted in green): "(...) This takes into consideration its risk profile, approved risk tolerance limits (quantitative and qualitative) and business strategy".	
4.3.	Comment: Provided that the ORSA doesn't require to re-calculate the SCR (MCR), we understand that the continuous compliance with the regulatory capital requirements means that the Own Funds identified within the ORSA Process shall be compared with the last SCR (MCR) available (see also comment on #4.5) "adjusted" to estimate its value at the time of the ORSA, like explained in paragraph #4.40. In order to have a full consistency within the paper, this paragraph could state more clearly that, even if a full re-calculation of the SCR is not required in the ORSA (provided it is not a non-regular ORSA), some calculation / estimates are required in any case, just like said by paragraph #4.40	
4.4.		
4.5.	Comment: We understand that, provided that the Overall Solvency Needs' assessment is performed according to the insurer's own analysis (see also comment on #4.2), the calculation of the capital requirements, of the technical provisions and the assessment of any deviations with the SCR calculation should be performed considering the rules used for regulatory purposes. However, we believe that the statement "supervisory expectations are more specific" need more clarification in order to avoid misunderstandings. Comment: We believe more details are necessary on how the deviations between the undertaking's risk profile and the assumptions underlying the SCR calculation shall be evidenced. (E.g.: for each risk module, comparing the SCR calculation shock with the undertaking's experience in past	

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	stressed situation)	
4.6.	Comment: Please consider to include a cross-reference to 4.76 with examples of possible trigger events.	
4.7.		
4.8.	Proposed new wording (change is highlighted in green): "The AMSB approves the ORSA policy and ensures that the ORSA process is appropriately designed, properly implemented and operating as intended. "	
4.9.		
4.10.		
4.11.	Comment: We suggest replacing the term „SCR“by „internal capital requirement“. In practice, assumptions behind the calculation of the SCR are not fully under the AMSB’s control for standard formula users (i.e. parameters, scenarios). On the other hand, the assumptions to calculate the capital requirements in line with the undertaking’s risk tolerance (and which can be more stringent than the SCR) are fully under the AMSB’s control.	
4.12.	Proposed new wording (change is highlighted in green): "It is also the AMSB’s responsibility, taking into account the insights gained from the ORSA process, to approve the long and short term capital planning, whilst considering the business and risk strategies it has decided upon for the undertaking. This plan includes alternatives to ensure that solvency needs can be met at all times even under unexpectedly adverse circumstances."	
4.13.	Proposed new wording (change is highlighted in green): "Guideline 4 – ORSA policy (Article 45(2) of the Directive) The ORSA policy should comply with the guidelines established under General Governance - Written policies- and include additionally at least: a) A description of the processes and procedures in place to conduct the ORSA; b) ORSA process main roles and responsibilities c) Consideration of the link between the risk profile, the approved risk tolerance limits and the overall solvency needs; d) Information on: (i) How stress tests/sensitivity analyses are to be developed and how often are	

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	<p>to be performed;</p> <p>(ii) Data quality requirements; and</p> <p>(iii) The frequency for the performance of the (regular) ORSA and the circumstances which would trigger the need for an ORSA outside the regular timescales.”</p> <p>Comment: No guidance on roles and responsibilities descriptions in the policies is provided. However, this seems useful because of the complexity of the ORSA in many organizations.</p>	
4.14.	<p>Proposed new wording (change is highlighted in green): “The undertaking records the performance of each ORSA and the assessment of any deviations in its risk profile from the assumptions underlying the SCR calculation to a level of detail that enables a third party to evaluate the assessments. The record of each ORSA process includes at a minimum:</p> <p>a) The (...)”</p> <p>Comment: We agree that an independent review of the ORSA is not necessary, however this assumes that the ORSA is included in a (at minimum yearly) risk management review.</p> <p>Comment: The requirement g) should be reduced. The documentation should contain an explanation for the deviation, but not an explanation of management’s reaction, especially if the deviation is for the better.</p> <p>Proposed new wording (change is highlighted in green): “...In case the deviations are considered to be significant in either direction, the internal documentation explains the key drivers.”</p> <p>Comment: Please define “significant deviations” more specifically.</p> <p>Comment: The requirements of paragraph d) can be in contradiction with the proportionality principle.</p> <p>Comment: It might be useful to clarify whether or not the paragraph h) “action plans” have to be justified with back testing.</p>	

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	<p>Comment: Regarding k) please define "challenge process" more specifically</p> <ul style="list-style-type: none"> - The term performance is open for multiple interpretations (execution, result,...) - The term risk appetite is not included here. Article mentions risk assessment, capital allocation process and approved risk tolerance limits. A basic starting point at strategic level is the risk appetite (which is translated / cascaded into risk tolerance limits). - No explicit link is made to the risk tolerance limits and the methods to manage those risks. It is mentioned (under 4.14h) that actions / strategies for raising additional own funds should be documented, but not what these actions should be taking into account (e.g. risk tolerance limits and methods for managing risks) 	
4.15.		
4.16.	<p>Comment: See comment 3.17</p>	
4.17.		
4.18.		
4.19.		
4.20.	<p>Comment: Unclear is how non-material risks will be covered/managed as the article focuses on the material risks.</p>	
4.21.	<p>Comment: The article does not require the insurance undertaking to clarify which risk mitigation tools are used, while it requires to explain which risks, who and why are managed.</p>	
4.22.	<p>Proposed new wording (change is highlighted in green): "The assessment needs to cover whether the undertaking has sufficient financial resources or realistic plans to raise additional capital if and when required, i.e. on account of the business strategy or business plan. In assessing the sufficiency of its financial resources the undertaking has to take into account the quality, liquidity and volatility of its own funds with particular regards to their loss-absorbing capacity under different scenarios. For example, two different scenarios: - Scenario increasing longevity requires also an increase in technical provision but not necessarily liquidity assets to cover it - Massive lapse scenario may lead to liquidity needs."</p>	

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4.23.		
4.24.	<p>Comment: <i>"...the recognition and valuation bases have to be in line with the SII principles."</i> This does not seem to reconcile with the text described in guideline 7 (<i>"if the undertaking uses recognition and valuation bases that are different from the SII basis..."</i>).</p>	
4.25.	<p>Comment: The need to demonstrate that the standard formula reflects the undertaking's risk profile should explicitly be qualitative, with the freedom left to the undertaking to decide on a quantitative assessment: a quantitative assessment (e.g. test of alternative calibration or methods) can be burdensome and distract the management of the undertaking from focusing on the major risks they face. However, this is clearer in guideline 13.</p> <p>Proposed new wording (change is highlighted in green): <i>"(...) it is expected to qualitatively demonstrate that this is appropriate to the risk..."</i></p>	
4.26.		
4.27.		
4.28.	<p>Comment: We believe this paragraph would benefit from additional clarification. We understand the assessment should include all risks and that different assessment methods can be used, however the paragraph seems to indicate that all risks need some sort of quantification (using quant methods or expert judgement) Cf also 3.23. <i>'The undertaking should express the overall solvency needs in quantitative terms and complement the quantification by a qualitative description of the risks.'</i> We believe it would be helpful to state that not – though the ORSA covers all risks – not all risks necessarily need to be expressed in quantitative terms, but one could provide rationale to manage certain risk, but not to quantify risk.</p>	
4.29.		
4.30.	<p>Comment: The examples provided (re-insurance and "other risk mitigation techniques") make the article confusing. We believe that all mitigation techniques (resulting in net-risk position) should be taken into account in the assessment of actual solvency needs.</p>	

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4.31.		
4.32.	<p>Comment: The management actions included in the ORSA should be consistent with those included in the calculation of the technical provisions.</p> <p>Proposed new wording (change is highlighted in green): “(…) in times of financial stress. The undertaking’s management actions included in the ORSA are expected to be consistent with the future management action plan required in the Draft Level 2 measures”.</p>	
4.33.	<p>Comment: We understand that it makes sense to assess the overall solvency needs for each future year of the planning period separately. But the longer the planning period the more complicated becomes the calculation and finally to avoid this burdensome calculation the undertakings might abbreviate the planning period. This cannot be the intention so we suggest allowing for simplifications.</p> <p>Proposed new wording (change is highlighted in green): “The undertaking’s assessment of the overall solvency needs should be forward-looking and at least cover all years of the business planning period.”</p>	
4.34.	<p>Proposed new wording (change is highlighted in green): “Unless an undertaking is in a winding-up situation, it has to consider how it can ensure that it stays a going concern. In order to do this successfully, it does not only have to assess its current risks but also the risks it will or could face in the long term. That may mean that, depending on the complexity of the undertaking’s business, long term projections of the business which are a key part of any undertaking’s financial planning, including business plans, and projections of the economic balance sheet and variation analysis to reconcile them may be required. These projections are required to feed into the ORSA in order to enable the undertaking to form an opinion on its current and prospective overall solvency needs and own funds over time.”</p>	
4.35.		
4.36.		
4.37.	<p>Proposed new wording (change is highlighted in green): “Capital planning includes projections of capital requirements and own funds over the planning period (and may include the need to raise new own funds). It is up to each undertaking to</p>	

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	decide on its own reasonable methods, assumptions , parameters, dependencies or levels of confidence to be used in the projections."	
4.38.	Proposed new wording (change is highlighted in green): "As part of the business and capital planning processes, an undertaking is required to regularly carry out stress tests, reverse stress-tests, as well as scenario analyses to feed into its ORSA. The stress testing scope and frequency has to be compatible with the principle of proportionality, having regard to the nature, scale and complexity of the undertaking's business and risk profile ."	
4.39.	Comment: The procedures/processes mentioned in guideline 11 do not seem to be included in the ORSA policy as well. The guideline on policy (guideline 4) does not include such information.	
4.40.		
4.41.		
4.42.	Comment: The undertaking should consider how it can ensure compliance with the SCR and MCR following a reduction in own funds. This can be attained in the form of a management intervention policy (or contingency planning).	
4.43.	Comment: It is not required that the undertaking should consider the current transition regime of own funds tiering. We suggest taking this into account.	
4.44.		
4.45.		
4.46.	Comment: Please consider clarifying the difference of this requirement compared to the current regulation pertaining to the actuarial function (any additional information required or is this requirement redundant?).	
4.47.	Comment: Please consider clarifying the difference of this requirement compared to the current regulation pertaining to the actuarial function (any additional information required or is this requirement redundant?).	

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4.48.	<p>Comment: Please consider clarifying the difference of this requirement compared to the current regulation pertaining to the actuarial function (any additional information required or is this requirement redundant?).</p>	
4.49.	<p>Comment: A definition of the risk profile would be useful to guide undertakings in the analysis mandated in this guideline.</p> <p>Proposed new wording (change is highlighted in green): "The risk profile is the set of characteristics which are specific to the undertaking and is generally defined by a combination of : - The volume of risks borne by the undertaking, - The volatility of these risks, - The correlation of these risks."</p> <p>Comment: We understand that the assumptions underlying the ORSA should be compared, where applicable (e.g. for risks not included in the SCR this obviously won't be possible), with those underlying the SCR calculation, performed both with the Standard Formula or with a (Partial) Internal Model. Instead, considering the paragraph #4.52, this assessment should also include, at least for the Standard Formula users, the detail of those risks, included in the "risk profile", which are not included in the SCR. We think that the assessment of the deviations should be more a "methodological" assessment, therefore based only on the evaluation of similar items (risks included in the SCR), even because for risks not included in the SCR, the deviation is the assessment itself (performed within the Overall Solvency Needs assessment).</p> <p>Comment: We understand that he undertaking may initially assess deviations between its risk profile and the assumptions underlying the SCR calculation on a qualitative basis. When this assessment indicates that the undertaking's risk profile deviates materially from the assumptions underlying the SCR calculation the undertaking should quantify the significance of the deviation. Please consider providing practical guidance on how to quantify the deviations between the risk profile and the assumptions underlying the SCR calculation; i.e. if the company was able to quantify this, it would be expected to calculate a proper SCR using this calculation. See also our comment related to #3.28.</p>	

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4.50.	Comment: We believe undertakings would benefit to receive information on the assumptions on which the SCR calculation is based as soon as possible.	
4.51.	Comment: We believe that guidelines on the definition of "material deviations" would be helpful.	
4.52.		
4.53.	Comment: We believe that a clear definition of "de-risk" would be helpful.	
4.54.	Comment: We suggest to clarify whether it is necessary for the undertaking to perform a reconciliation considering a) to c).	
4.55.		
4.56.		
4.57.	Comment: We believe it would be helpful to clarify the level of the information to be included in the ORSA report, if any, regarding the compliance with the different tests & standards; i.e. will it be required to demonstrate compliance with each of the tests & standard or would it be sufficient to include a general comment that there is a process that verifies the compliance with the tests & standards.	
4.58.		
4.59.		
4.60.		
4.61.		
4.62.	Comment: We believe the message of the article is unclear (" <i>despite the requirement on the AMSB to ensure the ongoing appropriateness of the internal model (Article 120), it may not have been updated or changed in a timely manner</i> ").	
4.63.		

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4.64.		
4.65.		
4.66.		
4.67.		
4.68.	<p>Comment: We would suggest to include additional guidance on "how" questions related to the stress testing and scenario analyses.</p>	
4.69.	<p>Comment: We understand that the ORSA is either an input and an output of the business planning process. We think that, instead of stating that "the business strategy has to take into account the output from the ORSA", this paragraph could be re-phrased in order to highlight that the ORSA and the Business planning processes are linked in a sort of "circular reference" loop, which should grant that they are aligned and goes together in order to allow consistency of both the business and risk objectives of the undertaking.</p> <p>Proposed new wording: "The business planning process and the ORSA process are aligned and go hand in hand in order to allow consistency of both the business and the risk objectives of the Undertaking."</p>	
4.70.		
4.71.		
4.72.		
4.73.	<p>Comment: We suggest that EIOPA gives some example of how to measure a significant change in risk profile. For example: an increase of capital requirement which triggers the for need external funding, a change by more than X percentage point of the business mix between major business lines / geographies / ..., a change of more than X percentage points in the split of capital requirement by risk categories, a change in the risk tolerance levels / statements by the board...</p>	
4.74.		
4.75.	<p>Comment: We agree on the guideline. But how about the current risk and solvency position. "To use their</p>	

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	<p><i>experience from stress tests and scenario analyses to determine whether changes in external factors could impact the undertaking's risk profile significantly."</i></p> <ul style="list-style-type: none"> - The guideline supposes that the ORSA is run only on the forecasted risk and solvency position. The calculation on current data will depend on the size and complexity of the company. - This guideline does not take into account internal factors such as new market segmentation, or business organization review that can impact the risk profile of the company 	
4.76.	<p>Comment: We suggest to add as an example "internal model changes".</p> <p>Proposed new wording: "Such changes may follow from internal decisions and external factors. Examples are: the start-up of new lines of business; major amendments to approved risk tolerance limits or reinsurance arrangements ; internal model changes; portfolio transfers or major changes to the mix of assets."</p>	
4.77.	<p>Comment: We suggest to make clearer what constitutes a group. This refers especially to those undertakings which form a group of companies which are legally separate entities, but under unified control (e.g. personal union/identity of the board members) without a parent company.</p> <p>Comment: Regarding c) we suggest that additional guidance should be provided regarding the way "differences" should be handled.</p>	
4.78.		
4.79.	<p>Proposed new wording (change is highlighted in green): "Although third-country undertakings are not required to produce a solo ORSA, they have to be included in the group ORSA, if they fall within the scope of Group supervision. In fact, it is for this reason that third country undertakings are of particular importance to the group ORSA, especially where the third country undertakings are managed separately from the wider group."</p>	
4.80.		
4.81.		
4.82.	Proposed new wording (change is highlighted in green):	

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	"The group ORSA is designed to reflect the nature of the group structure and its risk profile which reflects actual business activities within the group and may differ substantially between groups. For example, (...)"	
4.83.	Proposed new wording (change is highlighted in green): "Whilst unregulated entities are not subject to solo supervision and are not expected to perform ORSA at the solo level, they have to be included in the scope of group ORSA, if they fall within the scope of Group supervision."	
4.84.	Proposed new wording (change is highlighted in green): "The nature of the assessment with respect to unregulated entities will depend on the nature, size and complexity of each unregulated entity, its risk profile and its role within the group. The core of this principle is to take account of the fact that different unregulated entities could have different roles within a group and the overall group risk profile has to reflect the nature of the role of a particular unregulated entity. Some unregulated entities (e.g. ultimate parent undertakings) may play a very important role in setting the strategy and hence risk profile at the group level which is implemented throughout the group. On the other hand, insurance holding companies may exist solely to acquire holdings in subsidiaries as set out in Article 212(1)(f). The group ORSA will have to be dynamic enough to capture the different nature of material risks from all unregulated entities within the scope of the group." Comment: The last row in the table is confusing. The first column suggests that this refers to a group wide ORSA but the second column indicates that this refers to subsidiaries not included in the group wide ORSA. Could you please clarify.	
4.85.		
4.86.		
4.87.		
4.88.		
4.89.	Comment: "The group specific risks include at least:(...) risks arising from the complexity of the group structure." We suggest illustrating this with operational, organizational, cultural, strategic risks.	

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	Proposed new wording: "The group specific risks include at least: (...) e) risks arising from the complexity of the group structure (including operational, organizational, cultural and strategic risks)."	
4.90.		
4.91.		
4.92.		
4.93.		
4.94.	Comment: It is not clear why this is not included in the guideline 4 principles. By making guideline 4 more complete, the policy can be actually used as a solid "design" which will make implementation more efficient.	
4.95.		
4.96.		
4.97.	Comment: EIOPA requires a proper supervisory review process to be carried out. We suggest that also criteria of what is regarded as proper are given and clarify what criteria should be met or result should be attained.	
4.98.	Comment: Comment regarding Guideline 23: the name of the guideline and the description below do not meet. Comment: Guidance on the relation legal entity/solo undertaking is very limited. Please identify if additional guidance should be provided.	
4.99.		
5.1.		
5.2.		

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5.3.		
5.4.	Comment: The guideline is not fully written "(...) Currently the European Commission is still developing these level 2 implementing measures and."	
5.5.		
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5.27.		
	<p>Comment: We noticed that this paragraph states that "<i>an assessment of the deviation from the Standard Formula is required</i>". However, Guideline 13 states that these deviations should be assessed with respect to those underlying the SCR Calculation, therefore either calculated via Standard Formula or (Partial) Internal Model. Obviously, for Standard Formula users, the assessment should be made with regard to the Standard Formula, but we understand that, for Internal Model users, the comparison would be performed with the (Partial) Internal Model assumptions only. Furthermore, paragraph 5.50 comes back to stating that the assumptions to be compared with the specific risk profile are those "<i>underlying the SCR calculation</i>". We believe this paragraph should be clarified; it is not clear if the abovementioned statement which defines the need for a comparison with the Standard Formula is a typo or not.</p>	
5.28.		
5.29.		
5.30.		
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5.32.		
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5.37.		
5.38.		
5.39.	<p>Comment: Whereas EIOPA lists minimum requirements regarding the ORSA record (4.14), the necessary assessments within ORSA (4.61.) and elements of an assessment of the underlying assumptions (4.62.ff) we understand EIOPA is not in favour of providing guidance regarding the content of an ORSA report. We agree that a list of required content will be a restriction to the development of an own report structure. Nevertheless we think it will be helpful to define a minimum content as done on several guidelines. Proposed new wording (to be further elaborated): "Guideline XX : ORSA report Undertakings are required to report on their ORSA processes and the outcomes. The information</p>	

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	<p>given within any ORSA report is at least an explanation of the points set out in:</p> <ul style="list-style-type: none"> a) Guideline 4 b) 4.14. c) 4.31. d) 4.61., 4.63., 4.64 e)" <p>A second guideline should refer to the minimum content of a group ORSA report pointing out especially the differences to solo reports and outlining the assumptions to ensure consistency of those ORSA results made within a group on basis of an internal model and those ORSA results gathered within the same group on basis of a standard model solo approach.</p>	
5.40.		
5.41.		
5.42.	<p>Comment: <i>"(...) it would not be helpful to give an example on a structured report (...)"</i> We agree that it is not necessary to give an example of a structured report as each report depends on the nature, scale and complexity of the undertaking. However we suggest providing a check list of minimum issues that should be addressed in such a report so as to provide a sufficient reference level to the undertakings.</p>	
5.43.	<p>Comment: <i>"Option 4 Whether to require a quantitative assessment for all deviations from the standard formula regardless of its significance"</i> We believe it would be helpful to clearly state whether this implies a comparison between internal model and standard formula.</p> <p>Comment: <i>"EIOPA will expect quantification as a second step, only if the qualitative assessment indicates a significant deviation from the assumptions underlying the SCR calculation."</i> We suggest EIOPA gives some examples of what could be considered as a "significant" deviation. For example, a deviation which would trigger the consideration of capital add-on if the undertaking's risk tolerance were set at the level of the standard formula.</p>	
5.44.	<p>Comment: See comment in section 5.43</p>	

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5.45.	Comment: See comment in section 5.43	
5.46.		
5.47.		
5.48.		
5.49.		
5.50.		
5.51.	Comment: See comment in section 5.43	
5.52.		
5.53.		
Q1.	The guidelines are clear in respect to the purpose of the ORSA and, will help undertakings in understanding the objectives to be achieved with the ORSA, as well as the links with other processes (e.g. planning processes most of all). However, though the guidelines are broadly clear, they are also not precise as to how this may be achieved, and therefore they are subject to interpretation. Not only can similar undertakings with similar risks interpret in completely different ways what it is expected to be done, but also national supervisors may have different expectations of what similar undertaking should be doing.	
Q2.	We understand the decision of EIOPA not to elaborate in many details on how undertakings have to perform the ORSA, but rather what is to be achieved. However we believe additional examples or detailed operating guidelines could take away some uncertainty regarding the implementation of the ORSA. Example: The concept of capital management is not defined. Given the breadth of activities that capital management encompasses, EIOPA may need to define or illustrate capital management.	
Q3.	One of the challenges of the ORSA Process is to link with the planning processes of the Undertaking. Particularly, we think that the concept of the Risk Strategy is crucial in order to grant consistency between the risk profile and the business profile of the Underaking. Even if the Risk Strategy is not clearly mentioned in art. 45 of the Directive, we think that the point of view of the EIOPA on this topic should be useful.	

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Q4.	Balance sheet modelling for future years and projection methods are not sufficiently elaborated. Strategic planning processes and financial processes are often not aligned and so it's difficult to link these processes.	
Q5.	Enhanced clarity over what needs to be achieved rather than how to achieve it leaves freedom to the undertaking on how to ensure compliance with and meeting the requirements of the provisions and guidelines. The potential comparability issue lies with the Supervisor.	
Q6.	We agree on the cost / benefit analysis by EIOPA. However, ORSA being undertaking specific, the real costs and benefits will be a function of how demanding ASMBs and supervisors will be with regards to ORSA in practice	
Q7.	See 5.39 and 5.42	
Q8.	Yes	
Q9.	It would be efficient to provide undertakings with soft deadlines for ORSA submission to the supervisor, as per other Solvency II regular supervisory reporting, to ensure a timely and market-consistent supervisory review process.	