

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

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

Name of Company:	German Insurance Association (GDV)	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ Do not change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool ⇒ Leave the last column <u>empty</u>. ⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph or a cell, keep the row <u>empty</u>. ⇒ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. <p>Please send the completed template, in Word Format, to CP-13-009@eiopa.europa.eu. Our IT tool does not allow processing of any other formats.</p> <p>The numbering of the paragraphs refers to this Consultation Paper, the numbering of cells refers to the Technical Annexes II and III.</p>		
Reference	Comment	Resolution
General Comment	<p>We welcome EIOPA's intention of setting a harmonized path for the preparation of the forward looking assessment of undertaking's own risks.</p> <p>However, we take a very critical view on the fact that the implementation of the forward looking assessment of the undertaking's own risks implies almost a complete calculation of Pillar I (particularly guidelines 11 and 14 to 16). At the moment, key aspects of the methodology of Pillar I are subject to an impact assessment (LTGA). It</p>	

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is indispensable to consider the results and findings of this study when developing the future rules. This especially applies to the requirements concerning the the valuation of technical provisions and standard formula. **As these aspects are rather controversial on political level (Trilogue or Level 2), they should not be pre-empted in the context of the Guidelines.**

Further the reparatory Measures should focus on solo undertakings. The current Guidelines also call for an early application of the Pillar I calculations for groups. Material elements of group calculations under Pillar I are still in need of clarification. Problems in the previous tests caused that the group level rules were never fully tested; as such enormous costs and potentially misleading conclusions are to be expected. The practicability and appropriateness of the proposed rules should be reviewed based on the solo level. Therefor, **the implementation of Pillar I calculations at group level should follow in a next step after Solvency II comes into force**

Regardless it should be ensured that the tresholds consistently implemented (concern particularly guideline 11 and 22).

**Introduction General
Comment**

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1.7		
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1.10	As long as the political process has not been finalized, elements of Pillar I should be excluded at solo level. The implementation at the group level should follow in a next step after Solvency II comes into force (See our general comment).	
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1.17	The implementation at the group level should follow in a next step after Solvency II comes into force (see our general comment).	
1.18	See 1.17.	
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Section I. General Comments		
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1.26	<p>As long as the political process has not been finalized, elements of Pillar I should be excluded at solo level. The implementation at the group level should follow in a next step after Solvency II comes into force (See our general comment).</p> <p>Guideline 3 on the thresholds should apply for the requirement of guideline 11 that the undertaking quantitatively estimates the impact of a recognition and valuation bases different from Solvency II.</p>	
1.27	See 1.26	
1.28		
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Section II. General Comments		
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1.33	<p>Technical specification of the approach used for the forward looking assessment of the undertaking's own risks should not be a part of the Policy for the forward looking assessment as it includes only general aspects of the risk assessment without focusing on specific elements of each record.</p> <p>It would be more adequate for the requirement (b) to be a part of the Record of each forward looking assessment, as the risk profile and the approved risk tolerance limits</p>	

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	<p>can change between two risk assessments. Therefore, analyzing this link requires a description of the concrete risk profile as well as a focus on the current risk tolerance limits and the overall solvency needs at the time of realizing and documenting the risk assessment.</p> <p>Data quality standards are part of the policy on data quality required in System of Governance. Is that a duplication of the same requirement? For this case we assume that referencing is sufficient in the policy?</p>	
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1.35	The AMSB ensures that relevant information is communicated to the relevant staff. We understand, that the communication of the relevant information not necessarily have to be performed by AMSB. Further we understand that only relevant information has to be communicated. The guideline should be rephrased for better clarification.	
1.36	<p>It is not clear why a submission of "Forward Looking assessment of the undertakings's own risk" is expected in 2014 while the supervisory reporting should be submitted in 2015. All reports should be consistently submitted in 2015.</p> <p>The requirement (c) requires Solvency Pillar I-calculations an should not be part of the supervisory report (see our general comment).</p> <p>2 weeks to provide a supervisory report is tight schedule, especially for groups. Concerning supervisory reporting 6 weeks are added to the annual and quarterly submission deadlines.</p>	
Section III. General Comments		
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1.38	<p>If the valuation and recognition bases differ from Solvency II a quantification of the impact is required. This implies application of Pillar I elements. As long as the political process has not been finalized, elements of Pillar I should be excluded (See our general comment). If Omnibus II comes into force before interim period starts, guideline 3 on the thresholds should apply for the requirement that the undertaking quantitatively estimates the impact of recognition and valuation bases different from Solvency II. Further only a significant impact should be estimated.</p> <p>The implementation at the group level should follow in a next step after Solvency II comes into force (See our general comment).</p>	
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1.40	<p>Stress tests and sensitivity should not be seen as an exhaustive list of methods. We suggest the redraft « range of stress test or scenario analysis. The explanatory text should be adjusted.</p>	
1.41	<p>We agree an insurer should run continuity analysis so as to demonstrate its ability to manage risk over the longer term, in contrast to the Pillar I time horizon. However, the long term projections according to business plan could be quite burdensome. It should be made clear that estimations are sufficient taking into account material changes in risk profile. Small and medium firms should be allowed to run the assessment on an one year time horizon completed by a qualitative assessment on a longer term horizon, highlighting multi-year tendencies and developments.</p>	
1.42	<p>As long as the political process has not been finalized, elements of Pillar I should be excluded at solo level. The implementation at the group level should follow in a next step after Solvency II comes into force (See our general comment).</p> <p>Continuous compliance over business planning period should not require a full calculation of regulatory capital requirements over business planning period (at several valuation dates after year 0). It should be made clear that estimations are</p>	

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	sufficient taking into account material changes in risk profile.	
1.43	As long as the political process has not been finalized, elements of Pillar I should be excluded at solo level. The implementation at the group level should follow in a next step after Solvency II comes into force (See our general comment).	
1.44	<p>As long as the political process has not been finalized, elements of Pillar I should be excluded at solo level. The implementation at the group level should follow in a next step after Solvency II comes into force (See our general comment).</p> <p>Further it is unclear how this requirement can be implemented. The assumptions of the SCR standard formula are not yet finally determined. Further necessary background information is not yet announced by EIOPA in a sufficient degree for evaluation.</p> <p>The framework directive states that the ORSA "shall not serve to calculate a capital requirement" (cf. Art. 45 (7), Directive 2009/138/EC). Nevertheless, we see the risk of an overly broad interpretation of guideline by NCAs, leading 'automatically' to capital add ons or to an obligation to implement an internal model. Such requirements implicitly based on ORSA results need to be avoided. Whether or not a deviation from the assumptions underlying the SCR calculation is considered significant should be defined by an undertaking itself.</p>	
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Section IV. General Comments		
1.47	It should be mentioned that only entities with significant impact on the group level are	

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	of importance for group forward looking assessment.	
1.48	The guideline addresses the possibility of performing and reporting a single forward looking assessment of the undertaking's own risks conditioned by the approval of all members of the Supervisory College which are involved in the solo supervision of the group entities. It would be helpful to have clarity on the conditions to be fulfilled by the group in order to be allowed to perform a single forward looking assessment of the undertaking's own risks.	
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1.50	The implementation at the group level should follow in a next step after Solvency II comes into force (See our general comment).	
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1.53	It is not clear what is meant by "in the same manner". A requirement that the group carries out the assessment of the overall solvency needs for third-country undertakings in the same way as for EEA undertakings could lead to a de-facto implementation of Solvency II rules in addition to local rules to third-country undertakings – independent from any equivalence decision. In our opinion this is not the aim of Solvency II. It should be possible for groups to carry out the assessment of the overall solvency needs for third-country undertakings on the basis of local rules or using simplifications. Therefore, we suggest a redraft to "carry out the assessment comparable to the assessment for EEA undertakings".	
Compliance and Reporting Rules General		

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Question 1		
Question 2		
Question 3		
Question 4		

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Question 5		
Question 6		
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