

Comments Template on Consultation Paper on on the Proposal for Guidelines on the System of Governance		Deadline 19 June 2013 12:00 CET
Name of Company:	Insurance Association of Cyprus	
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-13-008@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	1. We believe it is not legally sound to require insurance companies to comply with guidelines which are not in line with the current national legal framework. In Cyprus the existing insurance regulatory framework (Solvency 1) is significantly different from Solvency II and in fact the national law transposing Solvency II would result in a complete new legal framework. Introducing a major part of Solvency II via EIOPA's Guidelines necessitates a major overhaul of the existing regulatory framework. This will prove an extremely burdensome, complicated and lengthy legal process which will distract the industry' focus away from the implementation of a phase-in	

**Comments Template on
Consultation Paper on on the Proposal for Guidelines
on the System of Governance**

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

approach and towards the legal process for amending the laws.

We favor a voluntary approach during this preparatory phase, with supervisory authorities seeking a commitment from the insurance industry to comply with guidelines. If this would not be the case then it is most important that sufficient time is allowed for the necessary amendments to the law to accommodate the guidelines.

2. We do not support a requirement for undertakings to also comply with the contents of relevant draft Level 2 text. Clarification is requested on whether undertakings will, apart from the guidelines, also have to comply with the contents of the relevant Level 1 and Level 2 text.

3. **We do not support any requirements in the guidelines that involve Solvency II pillar 1 calculations** concerning capital and technical provisions. This would be too burdensome and not appropriate for the preparatory stage. Solvency II pillar 1 should only apply when Solvency II is introduced in 2016.

4. There are cases where the Guidelines and/or the explanatory text go further than what is provided in the relevant Solvency II articles. EIOPA should ensure that this is avoided and also that the content of the Guidelines and the explanatory text are fully consistent with SII. An explicit clarification on the status of the explanatory text would be welcomed.

5. We believe that it would be very beneficial if EIOPA requests national supervisors to engage in a dialogue with insurers in their respective markets with an aim to agree on a clear timetable concerning what they concretely expect from undertakings to have in place at different stages during the preparatory stage until 2016.

**Comments Template on
Consultation Paper on on the Proposal for Guidelines
on the System of Governance**

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

Introduction General Comment		
1.1		
1.2		
1.3		
1.4		
1.5		
1.6		
1.7		
1.8		
1.9		
1.10		
1.11		
1.12		
Section I. General Comments		
1.13		
1.14		
1.15		
Section II. General Comments		
Chapter I General Comments		

Comments Template on Consultation Paper on on the Proposal for Guidelines on the System of Governance		Deadline 19 June 2013 12:00 CET
1.16		
1.17		
1.18		
1.19		
1.20		
1.21	The draft Level 2 measures as well as the explanatory text entitle small and less complex undertakings to assign more than one key functions to one person or unit (except in the case of internal audit). We believe that this entitlement should be included in the text of the Guidelines.	
1.22		
1.23		
1.24	The requirement to document how information from the risk management system has been taken into account is too abstract and far reaching. We propose redrafting it in more concrete and specific terms.	
1.25	We do not agree with the requirement to undertake internal reviews of the system of governance during the preparatory period. We consider that this would add up to the companies' burden without bringing any real benefits.	
1.26		
1.27		
1.28	We consider the proposed content of the policies to be too broad and detailed for the purposes of this preparatory stage. We support an approach in terms of high level principles that avoids prescribing the requirements in detail.	
1.29		
1.30		
Chapter II General Comments		

Comments Template on Consultation Paper on on the Proposal for Guidelines on the System of Governance		Deadline 19 June 2013 12:00 CET
1.31		
1.32	We consider it important that EIOPA mentions explicitly in the guidelines that during the preparatory stage there is no requirement to adjust Board membership to ensure that the Board is collectively fit.	
1.33		
1.34	We consider that point (c) goes beyond Art.42 of Solvency II at it requires undertakings to include in their fit and proper policy a description of the procedure for assessing fitness and propriety for personnel other than those who effectively run the business or have other key functions. We propose deletion of point (c).	
1.35	We consider that this guideline goes beyond what is required in articles 42 and 49 of Solvency II, as those articles do not require that all persons employed by the service provider need to be fit and proper. We propose a redrafting in line with the Level 1 text.	
1.36	The wording of Solvency II Article 49 does not state that there should be a fit and proper person within the undertaking who is responsible for the outsourced activity. If EIOPA wishes to have such a requirement, we propose to restrict it only to outsourcing of critical and particularly important activities of the key functions. Otherwise, the outsourcing of activities of the key functions that are very technical and detailed but not critical (i.e IT works) would require a fit and proper person within the insurer itself, which may be difficult.	
Chapter III General Comments		
1.37		
1.38		
1.39		
1.40	The requirements go into a level of detail that is excessive for the preparatory phase. We believe there should be less detail in the requirements, in line with the principle-based approach to regulation. Moreover, we do not agree with the inclusion of a requirement for carrying out regular stress	

**Comments Template on
Consultation Paper on on the Proposal for Guidelines
on the System of Governance**

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

	tests in point (e), especially since the carrying out of stress tests is already mentioned in the guidelines for ORSA. We thus propose deletion of point (e). Additionally, it is not clear whether undertakings also need to comply with the relevant text in Level 1 and, especially draft Level 2.	
1.41		
1.42		
1.43	The requirements go into a level of detail that is excessive for the preparatory phase. We believe there should be less detail in the requirements, in line with the principle-based approach to regulation. It is not clear whether undertakings also need to comply with the relevant text in Level 1 and, especially draft Level 2.	
1.44	The requirements go into a level of detail that is excessive for the preparatory phase. We believe there should be less detail in the requirements, in line with the principle-based approach to regulation. It is not clear whether undertakings also need to comply with the relevant text in Level 1 and, especially draft Level 2.	
1.45		
1.46	We do not agree with the requirement that undertakings develop and analyse operational risk stress scenarios. There is no such requirement in Level 1 or draft Level 2, and we believe it goes beyond the scope of article 44 of Solvency II. We thus propose its deletion.	
1.47	We consider that this is excessive for the preparatory period and, in any case it is more related to the carrying out of ORSA. We propose deletion of this guideline.	
1.48	The requirements go into a level of detail that is excessive for the preparatory phase. We believe there should be less detail in the requirements, in line with the principle-based approach to regulation. It is not clear whether undertakings also need to comply with the relevant text in Level 1 and, especially draft Level 2.	

Comments Template on Consultation Paper on on the Proposal for Guidelines on the System of Governance		Deadline 19 June 2013 12:00 CET
1.49	The requirements go into a level of detail that is excessive for the preparatory phase. We believe there should be less detail in the requirements, in line with the principle-based approach to regulation. It is not clear whether undertakings also need to comply with the relevant text in Level 1 and, especially draft Level 2.	
1.50	The requirements go into a level of detail that is excessive for the preparatory phase. We believe there should be less detail in the requirements, in line with the principle-based approach to regulation. It is not clear whether undertakings also need to comply with the relevant text in Level 1 and, especially draft Level 2. Under 1.8 (introduction), EIOPA states that «this does not imply that undertakings' investment portfolios already have to be changed... » We consider it important that this be stated in the guidelines and not (only) in the introduction.	
1.51	The requirements go into a level of detail that is excessive for the preparatory phase. We believe there should be less detail in the requirements, in line with the principle-based approach to regulation. It is not clear whether undertakings also need to comply with the relevant text in Level 1 and, especially draft Level 2.	
Chapter IV General Comments	We do not support any requirements in the guidelines that involve Solvency II pillar 1 elements. This would be too burdensome and not appropriate for the preparatory stage. Solvency II pillar 1 should only apply when Solvency II is introduced in 2016.	
1.52		
1.53	We do not agree that an undertaking should not be allowed to solely depend on the information provided by financial institutions, asset managers and rating agencies. We believe this goes beyond the scope of article 132 of Solvency II, and introduces excessive demands that especially small undertakings would find extremely difficult to meet.	
1.54		

Comments Template on Consultation Paper on on the Proposal for Guidelines on the System of Governance		Deadline 19 June 2013 12:00 CET
1.55		
1.56		
1.57		
1.58	<p>In paragraph 1.131 of the explanatory text, it is imperatively stated that “where mark to model valuation is applied, the risk management function is responsible for model sign-off and review, independent price verification and stress testing...”.</p> <p>Firstly, we do not agree with the use of imperative language in a text the role of which is explicitly said to be explanatory.</p> <p>Secondly, we disagree with the content of this paragraph, as it is not appropriate to require the risk management function to perform these tasks in relation to a mark to model valuation. Such valuation is often a highly technical accounting exercise and the risk management function may not possess the specific technical expertise to assess/review/verify it.</p> <p>We thus propose to delete or amend paragraph 1.131 accordingly.</p>	
1.59		
1.60		
1.61		
1.62		
1.63		
Chapter V General Comments		
1.64	<p>We do not see how Articles 41 and 93 of Solvency II can lead to the present requirement for a capital management policy. Firstly, we consider this to be an unnecessary burden during the preparatory stage. Second, we are concerned that this policy would have to be drawn up in relation to the hybrid regime that will apply during</p>	

**Comments Template on
Consultation Paper on on the Proposal for Guidelines
on the System of Governance**

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

	<p>the preparatory phase and will subsequently have to be redrafted in relation to the full SII regime.</p> <p>We propose the deletion of this guideline.</p>	
1.65	See our comments in 1.64	
1.66		
Chapter VI General Comments		
1.67	EIOPA should clarify that only those employees who are affected by the internal controls should be aware of their role in the internal control system.	
1.68		
1.69		
Chapter VII General Comments		
1.70		
1.71	<p>In relation to point (b), we underscore that Solvency II does not contain any requirements in relation to whistle blowing. The proper order is for the internal audit function to report internally and then it is up to the Board to decide how to act. Therefore we propose deleting the sentence "...before informing the supervisory authority".</p> <p>In addition, we do not agree with point (c) concerning compulsory rotation of staff assignments. This would be overly burdensome for the large number of small undertakings in Cyprus.</p>	
1.72		
1.73		
1.74		

Comments Template on Consultation Paper on on the Proposal for Guidelines on the System of Governance		Deadline 19 June 2013 12:00 CET
1.75		
1.76		
Chapter VIII General Comments	Undertakings should not be required to comply with Solvency II rules on technical provisions during the preparatory phase.	
1.77		
1.78		
1.79	We do not agree with the requirement that the actuarial function " <i>identifies any inconsistency with the requirements set out in articles 76-85 of Solvency II</i> ". We believe that undertakings should not be required to comply with Solvency II rules on technical provisions during the preparatory phase. We propose deletion of this guideline.	
1.80	Undertakings should not be required to comply with Solvency II rules on technical provisions during the preparatory phase.	
1.81		
1.82	We do not agree that undertakings should be required to comply with Solvency II requirements on data quality and technical provisions. Additionally, EIOPA should clarify whether the draft Level 2 text that introduces many detailed requirements on data quality (including a written data policy), is also intended to apply.	
1.83		
1.84	Undertakings should not be required to comply with Solvency II rules on technical provisions during the preparatory phase. We propose deletion of this guideline.	
1.85		
1.86		
1.87		

**Comments Template on
Consultation Paper on on the Proposal for Guidelines
on the System of Governance**

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

Chapter IX General Comments		
1.88		
1.89		
1.90		
1.91	We suggest that EIOPA includes a statement that this guideline will not apply to already existing outsourcing agreements during the preparatory period.	
Section III. General Comments		
1.92		
1.93		
1.94		
1.95		
1.96		
1.97		
1.98		
1.99		
Compliance and Reporting Rules General Comments		
1.100		
1.101		
1.102		

**Comments Template on
Consultation Paper on on the Proposal for Guidelines
on the System of Governance**

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

1.103		
Impact Assessment – General Coments		
2.1		
2.2		
2.3		
2.4		
2.5		
2.6		
2.7		
2.8		
2.9		
2.10		
2.11		
2.12		
2.13		
2.14		
2.15		
2.16		
2.17		
2.18		
2.19		
2.20		
2.21		
2.22		
2.23		

**Comments Template on
Consultation Paper on on the Proposal for Guidelines
on the System of Governance**

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

2.24		
2.25		
2.26		
2.27		
2.28		
2.29		
2.30		
2.31		
2.32		
2.33		
2.34		
2.35		
2.36		
2.37		
2.38		
2.39		
2.40		
2.41		
2.42		
2.43		
2.44		
2.45		
2.46		
2.47		
2.48		
2.49		

**Comments Template on
Consultation Paper on on the Proposal for Guidelines
on the System of Governance**

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

2.50		
2.51		
2.52		
2.53		
2.54		
2.55		
2.56		
2.57		
2.58		
2.59		
2.60		
2.61		
2.62		
2.63		
2.64		
2.65		
2.66		
2.67		
2.68		
2.69		
2.70		