

**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:	RSA Insurance Group	
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>A forward looking assessment of own risks (based on ORSA principles) is an essential component of an effective risk and capital management system and we are supportive of EIOPA's proposals to promote the development of such assessments ahead of the formal implementation of Solvency II.</p> <p>Our concern with some of these guidelines is that they seek to use the forward looking assessment as a means of providing information to regulators on an undertaking's level of</p>	

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	<p>preparedness for Solvency II and of introducing Pillar 1 requirements ahead of the formal implementation date of Solvency II.</p> <p>Undertakings must have the option of preparing their assessment on the basis of the capital requirements and valuation rules that are actually in force. To require otherwise will undermine the value of the assessment as a tool in managing the business.</p> <p>We will of course be taking actions to ensure that we comply with all Solvency II rules from the implementation date. The guidelines should not have the effect of requiring compliance with any Pillar 1 requirements ahead of the actual implementation date of Solvency II.</p> <p>Our comments are on the basis that the guidelines are being put in place as <i>preparation</i> for the implementation of Solvency II (as stated in paragraph 1.6) rather than actual implementation and that what is required is for undertakings “to progress in their preparedness for Solvency II over time during the course of the preparatory phase” (as stated in paragraph 4.3 of the Cover note for the Consultation on Guidelines) rather than to achieve full compliance ahead of the implementation date.</p>	
Introduction General Comment		
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Section I. General Comments		
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1.23	The requirement to « build a process » implies an expectation that undertakings will not already have such a process in place. National competent authorities should recognise that for most undertakings, development will take the form of building on the processes that are already in place.	
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1.26	<p>The assessment of continuous compliance with capital requirements must be on the basis of the regulatory requirements that are actually in place, not the prospective Solvency II requirements. The assessment is a management tool that will result in management actions and these necessarily have to take account of the existing requirements. The assessment will of course need to take account of the requirements that are likely to apply in the future and to this extent the assessment will consider the effect of the Solvency II requirements from the date they are expected to be effective.</p> <p>In any event, until the Pillar 1 requirements are finalised, it may not be practical to make a meaningful assessment of whether the group would comply with the Solvency II regulatory requirements.</p>	
1.27	<p>It is neither reasonable nor practical to require an assessment to be made of continuous compliance with the Solvency II requirements on technical provisions. This would require undertakings to calculate their technical provisions on a Solvency II basis and would be tantamount to introducing the Pillar 1 requirements on technical provisions ahead of the agreed implementation date of Solvency II. In any event, key aspects of the calculation of technical provisions are not yet finalised.</p>	
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Section II. General Comments		
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1.33	The purpose of stress tests, sensitivity analyses and reverse stress tests is broader than their use	

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	in the forward looking assessment. For example, they are key elements in the validation of the internal model. Similarly, data quality standards apply to a whole range of processes and are not specific to the forward looking assessment. Accordingly, this information may more appropriately be provided in documentation other than the policy on the forward looking assessment. The guideline should indicate that this information need be included in this policy only to the extent that it is not included in other documentation.	
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1.36	The requirement to submit the supervisory report « within 2 weeks of concluding the assessments » is insufficiently precise. A more practical requirement would be for the supervisory report to be submitted within 2 weeks of it being approved by the board.	
Section III. General Comments		
1.37	Until Solvency II comes into effect, there should be no requirement or expectation that undertakings will use Solvency II valuation bases. The valuation bases will be those that are most useful to the undertaking in making decisions and will therefore reflect existing valuation requirements.	
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1.42	See our comment on 1.26 above. The assessment of continuous compliance should be based on the requirements that actually apply, not the Solvency II requirements before they take effect.	
1.43	See our comment on 1.27 above.	
1.44	See our comment on 1.26 above. There should be no requirement to assess whether the risk	

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	profile deviates from the assumptions underlying the calculation of the Solvency II capital requirement until that requirement takes effect.	
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Section IV. General Comments		
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1.52	<p>For the reasons given in 1.26 above, there should be no requirement to calculate the Group SCR on a Solvency II basis until the Solvency II regime takes effect.</p> <p>Details of solo entities in the group which do not intend to use the internal model to calculate their SCR and the rationale for this decision is information which is relevant to the internal model approval process, but not to an internal assessment of capital needs. The guideline must not lose sight of the purpose of the forward looking assessment which is as part of an undertaking's internal risk and capital management processes. It is not there to provide information to regulators which will in any case be provided as part of the internal model application.</p>	
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Compliance and Reporting Rules General Comments		
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Impact Assessment – General Comments		
2.1	EIOPA guidelines on the ORSA already exist and are in the public domain. The impact assessment should therefore focus solely on the impact of applying the guidelines ahead of the implementation of Solvency II. In many cases the advantages enumerated in this section relate to the benefits of forward looking assessment itself, not its early implementation.	
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Question 1		
Question 2		
Question 3		
Question 4		

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Question 5		
Question 6		
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