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**EIOPA Final Report
on Public Consultation No. 11/008
On the Proposal for
Guidelines
On
Own Risk and Solvency Assessment**

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1. Scope

- 1.1. This Final Report contains the outcome of the Public Consultation No. 11/008, which was launched by EIOPA on 7 November 2011 on the proposal for Guidelines on Own Risk and Solvency Assessment (ORSA).
- 1.2. It includes a feedback statement with EIOPA's opinion on the main comments received during the Public Consultation.
- 1.3. In the Annexes, stakeholders can find the detailed resolution template with EIOPA's feedback on all comments received (Annex I), together with the consulted document updated as a result of the comments received (Annex II).
- 1.4. In relation to the draft Guidelines on ORSA, EIOPA has included the explanatory text in this Final Report, as it did in the Consultation Paper, in order to assist readers in understanding the thinking behind specific points in the Guidelines.
- 1.5. The draft Guidelines in this Final Report may still be subject to amendments in order to reflect future developments of any underlying legally binding Union acts.
- 1.6. The Omnibus II Directive (OMDII) will set the date of entry into force of the Solvency II regime. EIOPA strongly supports, within the constraints of the final decisions of the Parliament and the Council on the timeline and the scope of the technical standards, the entry into force of Solvency II from 1 January 2014.

2. Purpose

- 2.1. The current EU regime does not focus adequately on risk management and it does not provide incentives for EU (re)insurers to measure and properly manage their risks. Supervisory requirements with regard to risk management vary widely across Member States. These differing requirements impose unnecessary costs on the (re)insurance undertakings and do not provide a level playing field.
- 2.2. ORSA is an important element to improve the risk management of EU (re)insurers, to promote a better understanding of the undertaking's overall solvency needs and capital allocation as well as the interrelation between risk and capital management. As a consequence, ORSA should ensure better policyholder protection. Moreover, the presented requirements should guarantee that sufficient and clear information on a company's risk profile and capital position is provided to the public and is not misleading.
- 2.3. A further fundamental aspect of the ORSA is that it enhances the responsibility of the company's Board not to take on more risks than their capital base allows.
- 2.4. EIOPA acknowledges that the effective transition to the Solvency II regime and in particular compliance with the ORSA requirements from day one requires that early preparations are made for implementation.
- 2.5. The preliminary draft of the ORSA requirements was presented as work in progress to stakeholders in a CEIOPS' Issues Paper on ORSA in May 2008. The focal point of this issues paper was the so-called 'solo ORSA', i.e. for a single entity of a company. After that public consultation it became evident that group issues on the ORSA were a major concern for stakeholders. At a later stage, it also became clear that guidelines on the interaction between the ORSA and partial and full internal models was an important issue that needed to be addressed as well.
- 2.6. In the winter of 2010/2011 EIOPA invited representative stakeholders at European level to participate in the informal consultation ("pre-consultation") on the ORSA draft requirements.
- 2.7. EIOPA consulted publicly on draft ORSA requirements at the end of 2011 in Consultation Paper 8 (CP No. 11/008), and the consultation ended on 20 January 2012.
- 2.8. EIOPA now considers that it is important for the effective and timely implementation of Solvency II ORSA requirements that the updated guidelines are now provided, which undertakings can use as the basis for their preparations.

3. Feedback Statement

I. Introduction

1. EIOPA would like to thank all respondents who provided comments on the Consultation Paper on the ORSA draft Guidelines. These provided valuable suggestions for improving the Guidelines and helped in identifying areas needing further clarification.
2. These amendments made cover not only clarifications, including the acceptance of a number of rewording suggestions from stakeholders, but also some changes to the content of Guidelines and the accompanying explanatory text.
3. The feedback statement outlines first, the comments received from respondents to CP No. 11/008 and second, the review and resulting changes made to the ORSA requirements by EIOPA.
4. The comments from the Insurance and Reinsurance Stakeholders' Group are addressed in a specific section at the end of the feedback statement.

II. Comments in general

5. Respondents almost unanimously approved EIOPA's general approach, which is to address what is to be achieved through the ORSA rather than how to achieve these goals. However, not all agreed that EIOPA has fully succeeded in this objective. Some guidelines were seen as being too prescriptive and imposing too many detailed and specific requirements, in particular the guidelines concerning documentation.
6. Notwithstanding the general agreement that EIOPA should not focus on how the ORSA is to be performed, there were also a number of suggestions and requests from stakeholders to provide further details, guidance or examples to clarify supervisory expectations in order to help with the implementation of ORSA requirements.
7. Comments were not limited to remarks on the text of the Consultation Paper, requests for clarification or proposals for rewording. Respondents also shared their views as to what they consider the most important features of the ORSA. In these cases, it was generally stressed that the ORSA was a management tool, as opposed to a supervisory tool, and that the ORSA should not serve as a means to calculate a regulatory capital requirement.
8. Further general concerns voiced were about the application of the principle of proportionality by undertakings and the assessment of this by different supervisory authorities. Also, there were worries about the supervisory response to the assessment of significant deviation of the risk profile of an undertaking from the assumptions underlying the Solvency Capital Requirement (SCR) calculation and whether this means that standard formula users would be required to introduce an internal model.

III. Specific issues raised by respondents

9. **Proportionality and materiality:** With regard to the principle of proportionality, a number of respondents asked that more explanations should be given as to where and how the principle will apply in practice. Some respondents requested that materiality should also be addressed in a Guideline.
10. **Definitions:** The Consultation Paper does not introduce any terms that are not used in the Solvency II Directive or the draft implementing measures. Nonetheless, a number of respondents felt that some terms, in particular terms containing the word "risk", required a definition as these are also used outside the Solvency II context, which causes uncertainty as they may not be used with the same meaning under Solvency II.
11. **Active role of the Administrative Management and Supervisory Body (AMSB):** Most respondents agreed that the AMSB of an undertaking needs to play an active role in the ORSA with some stakeholders requesting EIOPA to further specify the role and responsibilities of the AMSB in the ORSA. EIOPA was also asked to explicitly state that the AMSB is responsible for challenging the management on actions to be taken if certain risks were to materialise.
12. **ORSA policy:** Based on the interpretation that the guidelines consulted upon require the development of a separate ORSA policy, some respondents were of the opinion that it should be possible for undertakings to decide for themselves how and where to set out policy decisions regarding the ORSA. There were also comments that the guideline on the minimum content of the ORSA policy was too detailed and would lead to a duplication of documentation.
13. **Record of the ORSA:** Seemingly starting from the assumption that "documentation" means producing a new written document, there was a general objection from respondents to the requirement to record the ORSA in a way that enables a third party to reproduce an individual ORSA. This was seen as causing substantial duplication and adding unnecessary additional burden for undertakings.
14. **ORSA supervisory report:** Respondents generally approved EIOPA's decision not to prescribe a specific structure for the ORSA supervisory report. However, some respondents would like to have at least some indication as to the minimum expected contents of the report or a - strictly non-binding - example of a basic ORSA supervisory report to help undertakings with the design of their individual reports.
15. **Captives:** There were questions about a specific ORSA framework for captives with for example approved ORSA documentation templates, approved risk categories that need to be addressed and a specific methodology for the ORSA of captives.
16. **Quantification of risks:** EIOPA received several proposals for rewording Guideline 8 or the accompanying explanatory text on the quantification of

risks. Most of the respondents who offered an opinion on the issue held that quantification should not be required for all risks since not all risks were quantifiable, and that a purely qualitative assessment should also be acceptable.

17. **Forward-looking perspective:** The required forward-looking perspective raised concerns for a number of respondents. While there was general acceptance that the overall solvency needs should be determined also for a longer period than a one year perspective, these respondents suggested that it should be sufficient to cover the longer term perspective in aggregate and not to determine overall solvency needs for each individual year of the ORSA projection period. For the forward-looking perspective, they claimed, a simplified projection should be acceptable, such as a qualitative assessment highlighting multi-year tendencies and developments. Concerning groups, some respondents considered there was no reason to explain how the different planning period of the undertakings which are part of a group would influence the time horizon of the group as a whole and that groups have a well-defined planning horizon that should be referred to without further explanation.
18. **Regulatory capital requirements:** Concerning Guideline 11 respondents objected to the emphasis that was placed on the processes necessary for the compliance with regulatory capital requirements rather than on the assessment of the compliance with regulatory capital requirements to be carried out.
19. **Significant deviation of the risk profile:** Respondents generally approved of EIOPA's view that the assessment should not necessarily require a quantification of the deviation. However, there were several comments that further specification was needed as to when a deviation is to be considered "significant".
20. **Connection between ORSA and SCR calculation:** Several comments addressed the issue of the connection between the SCR calculation and the performance of the ORSA. Concerning the timing of the ORSA and the SCR calculation, different solutions were proposed. One suggestion was that it should be sufficient for the ORSA to have the same reference date as the last SCR calculation. Another proposed solution was to allow for the use of different reference dates where no material changes affecting the results were experienced by the undertaking concerned in the interim.
21. **Internal models:** With regard to the ORSA performed by undertakings using an internal model, respondents appreciated that EIOPA explicitly states that no duplication of work is required, but at the same time pointed out that the distinction between the validation of the internal model, the use test requirements and what is to be performed in the ORSA, is still not sufficiently clarified.
22. **Scope of the ORSA on Group level:** Regarding which undertakings should be included in an ORSA at group level, respondents asked for clarification as to what constitutes a group and for confirmation that third country undertakings do not need to perform an ORSA at undertaking

level. They also pointed out that with regard to the reporting on the ORSA in the form of a group wide ORSA report they consider that all (insurance and reinsurance) subsidiaries need to be included.

23. **ORSA for third country groups:** Some respondents from outside the EU asked that further explanation be given as to how the ORSA at the group level works for groups from equivalent and non-equivalent third countries. They also expressed the hope that the opportunity to submit a single ORSA document as an ORSA supervisory report at group level will be extended to third country based groups.
24. **Working of the College:** The Consultation Paper does not address how the supervisory authority deals with the ORSA supervisory report as part of the Supervisory Review Process (SRP). This was not an issue for respondents on the undertaking level but for the group level. Several respondents questioned the working of the College of Supervisors with regard to the ORSA and the respective responsibilities of the local supervisors and the group supervisors. More clarity on this point was seen as essential in order to help undertakings regarding the development of ORSA processes.
25. **Diversification effects:** Some respondents pointed out that it would be challenging to require that a group should explain in the ORSA how diversification effects identified for its overall solvency needs at the level of the group are allocated to individual group entities.

IV. EIOPA review of the Guidelines

26. In this Final Report EIOPA will not provide more details on proportionality and materiality or questions of how certain issues arising from the ORSA are to be addressed in practice. Undertakings are expected to have the necessary competence and expertise to find fit-for-purpose solutions for the practical challenges they face. The application of the proportionality principle in practice must be determined on a case-by-case basis. As with materiality, it is up to the undertakings to determine how to comply with the materiality principle and – if asked to do so - to justify to the supervisory authority why the approach taken is proportionate or why certain information or risks are considered immaterial.
27. The definitions given in Directive 2009/138/EC and the implementing measures also apply to Guidelines. Where terms are used in either of these texts but not defined there, EIOPA accepts this decision and does not seek to provide a definition for the Guidelines either. This also applies for some terms including the word “risk”. When new terms are introduced in the Guidelines EIOPA has now supplied a definition, unless a term is considered to be self-explanatory. Regarding terminology, EIOPA, for the sake of consistency, will keep the terms that are used in Directive 2009/138/EC even where a number of respondents expressed their preference for a different term.
28. EIOPA is aware that the active role of the AMSB in the ORSA requires a certain level of expertise from the AMSB. An AMSB is expected to have the

necessary qualifications to provide for the sound and prudent management of the undertaking. This includes that it possesses enough knowledge to actively understand the core information about the undertaking that is contained in the ORSA. Regarding management actions, EIOPA considers it to be within the remit of the AMSB to decide what actions would be taken if certain risks, with a major effect on the undertaking, were to materialise.

29. It is acknowledged that Article 41 of the Directive 2009/38/EC, which sets out a number of written policies that undertakings are required to have, is not intended to be a comprehensive list. Since the ORSA process is often complex and generally requires a high quality input from a number of sources within the undertaking, EIOPA is convinced that it is necessary for undertakings to have an ORSA policy setting out for example the roles and responsibilities of the participants, a high-level description of the processes and procedures, and certain qualitative requirements to ensure that the ORSA provides appropriate results and meets its core objectives. Furthermore, it is important and a matter for supervisory scrutiny that the ORSA policy meets the requirements expected of a written policy, for example that it is subject to approval by the AMSB.
30. Since the ORSA is part of an undertaking's risk management, it could be argued that the risk management policy has to cover the ORSA. EIOPA's opinion is that undertakings may have an ORSA policy as part of their risk management policy or separate of it. Since neither the Directive nor the implementing measures mention them as different policies, EIOPA believes that the policies do not necessarily have to be separate. Equally, policies, such as the ORSA, do not have to be joined into a broader policy, such as the risk management policy, just because they concern some part of the area that is supposed to be covered by that broader policy. Hence, undertakings may have an ORSA policy as part of their risk management policy or separate of it.
31. Since the comments showed a number of misconceptions about the recording of the ORSA, EIOPA wants to clarify this requirement. First of all, the fact that undertakings have to document the ORSA does not mean that the documentation has to be produced specifically for the purpose of the ORSA. The aim of the documentation is to have an "audit trail" which enables a knowledgeable third party to reconstruct an individual ORSA, i.e. to be able to determine what input data and assumptions were used and what was the output from the ORSA, and how the undertaking arrived at the output. The "transformation part" will require new documentation and the same may be true for some of the output, which was not included in the internal ORSA report or the ORSA supervisory report, due to it being considered immaterial. But the input data will to a large extent be information that is already documented elsewhere in the undertaking. In this case a reference to the relevant data is sufficient.
32. The reference to a knowledgeable "third party" is to somebody who may want to check that the ORSA was performed appropriately, so that party has to have the necessary skills to assess an ORSA performance. Hence, the undertaking is not required to adjust the available documentation

making it 100% user-friendly, but the record has to be sufficiently clear and comprehensive to allow the understanding of what has been done in the ORSA and the reasons for this. A record of an individual ORSA will in most cases contain more information than is contained either in the internal ORSA report or the ORSA supervisory report as these are focused on main outcomes and not full documentation.

33. The ORSA supervisory report is not necessarily a specifically prepared report. It could be a self-contained subset of the internal ORSA report, provided that the internal report meets supervisory needs. Supervisory authorities will not accept an internal ORSA report if it lacks information the supervisory authority expects to receive about the ORSA or if it contains information that is clearly surplus to requirements for supervisory purposes. In this case, the undertaking does not have to change the internal ORSA report – unless the supervisory authority also considers it to be lacking the minimum necessary information for internal information purposes – but to prepare a separate ORSA supervisory report that meets the regulatory and supervisory requirements.
34. There will be no specific approach for captives just as there is no specific approach for mutuals, mono-line undertakings, etc. or other specific groups of undertakings, although all these categories of undertakings may claim that there are some specificities that apply especially to them. Captives will benefit from proportionality where this is warranted in view of the nature, scale and complexity of the risks they face just as any other undertaking. While there are certain similarities between captives just as there are between mutuals and mono-liners, it cannot be assumed up front that all captives are basically the same and that there can thus be an applicable special one-size-fit all approach.
35. Concerning the quantification of risks EIOPA does not deny that some risks are considerably more difficult to quantify than others, and also that there are other measures than covering risks with capital, which may be better suited to managing certain risks. However, this is no reason not to quantify these risks. Undertakings should be aware of the amount of capital that could be consumed if certain risks were to crystallize and should not be satisfied with a qualitative assessment just because this is less challenging. Even if it may be difficult to exactly quantify the required capital or loss in economic terms for certain risks, it should still be possible to assess its magnitude. In risk management, it is important to understand the risk and whether it will have a low or high impact even if no exact quantification can be made. It is also worth adding that it is because EIOPA acknowledges the difficulty of quantifying certain risks that a range of values is also acceptable (as referred in the explanatory text of Guideline 8).
36. Following the comments on the forward-looking perspective EIOPA will no longer maintain the requirement that undertakings quantify their overall solvency needs for each separate year of the ORSA projection period. Instead EIOPA now asks that undertakings cover their prospective overall solvency needs for an appropriate multi-year perspective, taking into account multi-year tendencies and developments. EIOPA is fully aware

that such multi-year projections will not necessarily use the same methods as the assessment of the overall solvency needs on a one-year time horizon and that the result, therefore, might be less reliable. Concerning groups, EIOPA agrees that the requirement concerning the forward looking perspective focused on a very specific aspect of the definition of the time horizon that might not be detailed in the ORSA report (the influence of the planning horizon of undertakings within the group on the planning horizon of the group). The guideline 20 was then considered too prescriptive and deleted.

37. The wording of Guideline 11 on regulatory capital requirements has been changed to stress the necessary assessment and reduce the focus on the processes required of the undertaking. This change in wording should, however, not obscure the fact that undertakings must have appropriate processes and procedures in place in order to be able to carry out the assessment of their continuous compliance with the regulatory capital requirements adequately.
38. Undertakings will have to rely on their own judgement (and experience) to provide further specification of when there is a significant deviation of the risk profile. The effect on the SCR if the deviation were taken into account is the final trigger point but undertakings should take into account that depending on, for example the volatility of the assumptions, the trigger could be higher or lower. It will be up to undertakings to justify the result if they come to the conclusion that the deviation is not significant.
39. The implementing measures will determine when the ORSA supervisory report has to be submitted - whenever a regular ORSA is being performed - but there is no prescription as to when in the undertaking's business cycle the ORSA should be performed, and EIOPA considers this to be a decision for the undertaking. However, since the undertaking, as part of the ORSA, has to assess whether its risk profile deviates from the assumptions underlying the SCR calculation, EIOPA expects there to be a connection between the timing of the ORSA and the timing of a (full) SCR calculation. The significance of the deviation is to be determined by the expected impact on the SCR if the deviation were taken into account in the SCR calculation. Hence there is a connection with the SCR at the time the ORSA is being performed, and the deviation cannot be assessed on the basis of an SCR that may no longer be relevant due to circumstances changing in the meantime. EIOPA does, however, acknowledge the validity of the argument put forward by respondents that it should be possible to have different reference dates for the SCR calculation and the ORSA, provided that there have been no material changes in the risk profile in the meantime.
40. Concerning the scope of the ORSA at Group level, the text explicitly includes all the entities that are within the scope of the supervision, but does not limit the group to that scope. The scope can be extended according how the group views itself.
41. The ORSA requirements applicable to groups in the Solvency II framework are limited to EU groups. This means that EIOPA does not believe it should

provide explanation on how ORSA for third country groups should be performed.

42. The consultation paper does not address how the supervisory authority deals with the supervisory report on ORSA except concerning the language of the report. It is expected that the group ORSA will be in the same language as the group Regular Supervisory Reporting. In case there is a single ORSA document that covers the subsidiaries of the group, a supervisory authority in the college of supervisors may require a translation of the part of this single ORSA document concerning one supervised subsidiary. Some comments considered these requirements to be contradictory, but these two requirements deal with different cases. A single ORSA document will cover the group ORSA and also the ORSA of the undertakings which are part of the group. The other aspects relating to the workings of the college are not seen as specific to the ORSA and will be covered by EIOPA guidelines on colleges and the Supervisory Review Process.
43. The requirement initially in the explanatory text of the Guideline 19 concerning the diversification effects at the level of the group and their allocation to undertakings which are part of the group were maintained as this is expected to be a valuable tool to assess the impact of each undertaking of the group on the group's overall solvency needs, and also because it can be considered a valuable tool to manage the capital allocation in the group.

V. Comments from the Insurance and Reinsurance Stakeholders' Group (IRSG)

44. The comments from the IRSG were in the same direction as the comments received from other respondents but they also pointed out some additional aspects.
45. IRSG believed to agree with other respondents regarding the concern that the guidelines and explanatory text in some cases were too prescriptive and that the ORSA reporting should not be overly engineered. The Group was among those stakeholders who thought that ORSA reports are prepared for the AMSB and subsequently shared with the supervisory authority. In general the guidelines were deemed to be somewhat too ambitious in many aspects since standard formula users - as opposed to internal model users for whom the specifications in the guidelines were mostly already mapped in the internal model - were completely new to these requirements.
46. IRSG asked that a simplified forward-looking projection should be considered acceptable, including a qualitative assessment highlighting multi-year tendencies and developments.
47. The IRSG also supported the view that clear definitions of various terms containing the word "risk" should be provided in order to avoid confusion with the usage of the same terms being used in a broader corporate

environment, and offered to review and suggest additions to the CEA Solvency II Glossary.

48. With regards to overall solvency needs, IRSG supports the view of other respondents that a purely qualitative assessment should also be acceptable.
49. In view of the important connection between the ORSA and the SCR, IRSG asked EIOPA for clarification of the relationship, and an order of priority, between qualitative and quantitative requirements, including a clear statement in the guidelines that the MCR is the only requirement to be met "at all times".
50. EIOPA has addressed all these comments by introducing changes, clarifications and amendments as necessary in this Final Report and the revised Guidelines contained within in.
51. The relationship between the ORSA and the SCR is quite clear from Article 45 of Directive 2009/138/EC. The ORSA requires a number of assessments from undertakings, some of which have to do with the SCR. As part of the ORSA an undertaking has to assess its continuous compliance with the regulatory capital requirements, which requires the undertaking to determine the frequency and quality of its SCR calculations, how often a full calculation is necessary to be sure of compliance, and when estimates or estimates combined with a partial calculation are sufficient. The undertaking also has to look at how its SCR evolves over time, taking into account internal and external factors that could influence the regulatory capital requirement. This does not require that the undertaking to hold the own funds necessary to meet future SCR needs, but that it has appropriate capital planning and capital management in place to avoid a situation where additional eligible own funds are only available after the SCR has increased.
52. The undertaking also has to assess its continuous compliance with the requirements on the calculation of technical provisions as these play an important role in the calculation of the own funds and thus are highly relevant for the constant compliance with the SCR and MCR.
53. The assumptions underlying the calculation of the SCR, but not the SCR itself, are relevant for the assessment of whether the undertaking's risk profile is covered appropriately by the SCR calculation. This does not require a comparison between numbers, i.e. the SCR and the overall solvency needs, but between risk profiles. The comparison is therefore between the actual risk profile of the undertaking and the risk profile perfectly reproduced by the either standard formula or the internal model depending on which is used by the undertaking. .
54. For the purpose of the assessment of the overall solvency needs the SCR is not the decisive element and an undertaking is not required to follow Solvency II principles. If an undertaking determines its overall solvency needs in relation to its SCR, EIOPA would expect the undertaking to

demonstrate that this approach is appropriate and not just used on a best effort basis.

55. There is no order of priority between qualitative and quantitative requirements of the ORSA, as both are important. Hence, while admitting that some risks are better managed by other measures than by covering the risk with capital, pure qualitative assessments of risks that will be handled qualitatively will not be acceptable. Even risks that are ultimately managed qualitatively should not only be assessed qualitatively; they should also have some form of quantitative assessment. Furthermore, EIOPA expects undertakings to quantify their estimated SCR requirement going forward as this is essential for adequate capital management. Acknowledging that quantitative assessments can be more challenging for undertakings, EIOPA has sought to lighten the burden on undertakings with regard to a deviation between an undertaking's risk profile and the calculation of the SCR by only asking for quantification where this may be relevant on account of the deviation being significant.
56. EIOPA acknowledges that the outcomes of the ORSA may show that the SCR is not continuously met by all undertakings. However, it must be emphasized that deliberate breaches of capital requirements are never an option, not even temporarily. To the contrary undertakings have to take all reasonable measures to ensure that they do not breach these regulatory capital requirements.

4. Annexes

4.1. Annex I

Feedback on Comments received on Consultation Paper - EIOPA-CP-11/008 CP No. 008 SII ORSA of the draft for Guidelines on Own Risk and Solvency Assessment				
<p>EIOPA would like to thank AFM, AMICE, Association of British Insurers (ABI), AXERIA, BW, CNA Insurance Companies, CRO Forum, Deloitte, ECIROA, ECO-SLV, EST, FEE, FRC, Ganado & Associates, Advocates, Gibraltar Insurance Association, GNAIE, Groupe Consultatif, ILAG, IUA (International Underwriting Association of Lo, KPMG ELLP, Legal & General Group plc, MACIF ŻYCIE TOWARZYSTWO UBEZPIECZEŃ WZAJEMNYCH, MARSH Captive Solutions Group, Partnership Life Assurance Company Limited, RSA Insurance Group, and Willis Global Captive Practice</p> <p>The numbering of the paragraphs refers to Consultation Paper No. 008/11 (EIOPA-CP-11/008)</p>				
No.	Name	Reference	Comment	Resolution
IRSG	IRSG	General Comment	<p>1. ORSA adds value to the transversal awareness on risks</p> <p>We consider ORSA as an opportunity to reinforce the debate on risks across the company. For us it means non-quantifiable risks as well as quantifiable risks (4.28). At each level, from the insurance intermediary to top management, everyone has to be involved in enhancing a risk culture, while taking care of proportionality.</p> <p>ORSA has to be set up so as to fit as closely as possible the characteristics of the respective undertaking. It means that the content of the ORSA in terms of</p>	<p>Agree.</p> <p>Agree.</p> <p>Agree</p>

		<p>qualitative and quantitative information must have a common basis which cannot be a one-size-fits-all process to reach them. In other terms, the company has to justify the method chosen to apply ORSA to the supervisor as well as to the internal stakeholders, even if, internally, ORSA is directed to the board. Given the importance of the relationship of ORSA and SCR, it would be helpful to clarify more the relationship and order of priority of qualitative requirements (which must be core for ORSA) and quantitative requirements (eg 3.23, 3.28, 4.19 - 4.21). However it's important to remark that 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>The SCR is calculated over a one year time horizon whereas ORSA will also look into the longer term business planning time horizon and therefore the longer term view of the ORSA should not serve to calculate a regulatory capital requirement and impose capital add-ons</p> <p>The guidelines on ORSA should state clearly that the MCR is the only requirement to be met "at all times".</p> <p>What is crucial in ORSA , is the explanation on the way it had been internally proceeded to get to the goal pursued (as is already embedded in articles 3.17 a & b). 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 board to fulfil this strategy while balancing the risk profile and risk appetite of the undertaking.</p> <p>We support that this analysis and this process in themselves have to be broadly shared, explained and disclosed among the stakeholders inside the company as well as for the benefit of the supervisor.</p> <p>In terms of ORSA reporting, however, we believe that the</p>	<p>In view of stakeholder comments EIOPA considers that the relationship of quantitative and qualitative requirements is sufficiently clear.</p> <p>Noted</p> <p>Agree. This is also very clear from art. 45(7) of the Directive.</p> <p>Disagree. The need to ensure that the SCR is met at all times does not imply that all undertakings will succeed all the time but they have to strive for continuous compliance and may not deliberately risk non-compliance.</p> <p>Noted.</p> <p>Noted.</p>
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		<p>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> <p>To summarize, we consider ORSA as a sound and fruitful process if it is implemented in order to enhance a self analysis of the company under the point of view of the risk, and with the involvement of the appropriate persons and functions.</p> <p>2. Too prescriptive guidelines would raise concerns</p> <p>In some cases, the guidelines and explanatory text go beyond the objectives of ORSA and provide a lot of details on the processes regarding the way to reach the goal, and appears to be too prescriptive.</p> <p>The guidelines are a little bit too ambitious in many aspects. Although there is a formal distinction between users of the standard formula and users of an internal model, there is no real difference in practice: for users of internal models, a lot of the aspects specified in the guidelines are mapped in an internal model. For users of the standard formula on the other hand a lot of those things are "unknown territory". A simplified approach should be available for undertakings presenting lower risks.</p> <p>3. Vocabulary on corporate governance should be clarified and aligned with the corporate governance framework at EU level</p> <p>ORSA concerns risk management and Governance responsibilities.</p> <p>ORSA is part of Solvency II and as such part of a regulatory approach, not corporate law.</p> <p>In parallel, corporate governance and thus administrative, management or supervisory body (AMSB)</p>	<p>Noted.</p> <p>Noted.</p> <p>Noted.</p> <p>Agree.</p>
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			<p>responsibility as well as risk management and risk governance are discussed under the headings of corporate governance and company law equally at a European level.</p> <p>Many terms are used in both the regulatory approach as well as the corporate approach. This leads to confusion which needs to be avoided for the users, i.e. the (re)insurers. For example, the term "risk profile", which appears repeatedly in the context of ORSA and Solvency II, is used also in the Green Paper on the EU corporate governance framework (Green Paper 2011) – apart from being referred to also in Basel III/CRD IV as well as other documents concerning financial institutions. Ambiguities and misunderstandings must be avoided.</p> <p>As a consequence it would be good if we had clear definitions as regards the various terms used in combination with "risk". We could review and suggest addition to the CEA Solvency II Glossary.</p> <p>With regards to the role of the administrative, management and supervisory body (top-down approach), the undertaking should ensure that its administrative, management or supervisory body takes an active part in the ORSA process by steering how the assessment is to be performed and challenging its results, with the support of the risk management function.</p>	<p>ORSA is written based on the terminology from the Directive as well as the implementing measures.</p> <p>Noted.</p> <p>Agree.</p>
1.	AFM	General Comment	<p>1. This response to the consultation paper is on behalf of the Association of Financial Mutuals.</p> <p>2. The Association of Financial Mutuals (AFM) was established on 1 January 2010, as a result of a merger between the Association of Mutual Insurers and the Association of Friendly Societies.</p>	Noted.

			<p>3. AFM currently has 57 members and represents mutual insurers and friendly societies in the UK. Between them, these organisations manage the savings, protection and healthcare needs of 20 million people, and have total funds under management of over £85 billion.</p> <p>4. The AFM is supportive of the issuance of guidelines focusing on what is to be achieved by the ORSA and by doing so seeking to enhance harmonisation and thereby reduce the possibility of differences of approach between home nation supervisors in the application of the ORSA requirements.</p> <p>5. We are also supportive of the principle expressed that the process is an Own Risk Solvency Assessment with the emphasis being on the word Own and that therefore it should be proportionate to the nature, scale and complexity of the firm's perceived risks. The majority of the AFM's members would fall into the definition of SMEs and in this context we are at pains to stress that due to their size and scarcity of resources (being mutuals the ability to raise capital is greatly impaired) it is of paramount importance that the principle of proportionality is maintained.</p> <p>6. In this regard we remain concerned that without greater definition and transparency being given to what is meant by the term proportionality and how it applies in the context of the ORSA process, gives rise to the potential for diversity in approach between home nation regulators which could be particularly prejudicial to the interests of SMEs. We would therefore encourage EIOPA</p>	<p>Noted.</p> <p>EIOPA will not give further specification on proportionality. Solvency II is a principles-based system and it is up to undertakings to justify, if called for to do so by the supervisory authority, that the approach taken is proportionate.</p>
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			to give greater transparency to its expectations in this regard and/ or to work with national regulators to summarise the good practices that have emerged from supervisory review.	
2.	AMICE	General Comment	<p>AMICE welcomes the opportunity to comment on EIOPA's Draft Guidance for the ORSA and is particularly appreciative of the the fact that this consultation is already taking place now before the formal consultation process on Level 2 mesures starts.</p> <p>We support the general approach of the document putting substance over form, i.e. focussing on what is to be achieved rather than how it has to be achieved. However, some guidelines and/or explanatory text deviates from this approach and seems to intend to micromanage the ORSA process. This is in our view inopportune as it contrasts with the declared purpose of the ORSA, namely to be a management tool rather than a supervisory tool.</p> <p>That the ORSA is designed and meant to be a management tool has for us several key consequences:</p> <ul style="list-style-type: none"> <input type="checkbox"/> The ORSA must not serve to calculate a regulatory capital requirement. This is explicitly ruled out in the level 1 text. <input type="checkbox"/> The guidelines should be principles-based throughout and abstain from unnecessary prescription. <input type="checkbox"/> The ORSA process must be fully subject to proportionality considerations. Since it is not a supervisory tool, it is essentially the undertaking itself that determines the application of proportionality in function of the nature, scale and complexity of its risk. <input type="checkbox"/> The (internal) ORSA report should not constitute a standalone tool in the undertaking's management reporting system, but be imbedded in and part of that 	<p>Noted.</p> <p>Noted.</p> <p>Agree.</p> <p>Agree, but the supervisory authority will demand changes if it does not consider the process to be proportionate as it is then non-compliant with requirements.</p> <p>Agree.</p>

		<p>system. To enable this, it is necessary not to overdefine this report and to make it possible that information available in other management reports can be included by reference.</p> <p><input type="checkbox"/> The subsequent (external) report to the supervisor should be seen as deriving from the internal report, should document the fulfilment of the requirements of the ORSA process which – again – is an internal one for the benefit of the insurer’s management.</p> <p>AMICE members in general acknowledge and appreciate the value of the ORSA process. To achieve the intended aim of raising the awareness in the undertaking of the implications of their business plan on their capital and vice versa, it is however necessary that smaller and medium-sized undertakings are assisted in embarking on this valuable self-assessment exercise. In addition to the application of proportionality as mentined above, we believe therefore that two support measures are necessary:</p> <p><input type="checkbox"/> Either as an annex to the guidelines (which are, after all, addressed to insurers as well as to supervisors) or as supporting material, it would be highly valuable to get an example for a basic ORSA report. While such a good practice example would of course have to be completely non-binding, it would serve particularly smaller insurers extremely well in overcoming their initial uncertainties and would help them, too, to discover the benefits that a structured and well-done ORSA process can bring to every insurer and its management – and after all to the stability of the sector and the safety of the policyholders.</p> <p><input type="checkbox"/> AMICE members are looking forward to good and constructive cooperation with their supervisors. It was often said that Solvency II is a joint learning process for industry and supervisory community. This is particularly</p>	<p>Not quite. The supervisory authority should certainly be able to determine from the ORSA report whether the undertaking has met the requirements but the main purpose is to communicate the outcome of the ORSA. The fact that the ORSA process is for the benefit of the undertaking does not mean that the supervisory authority cannot ask for changes if the process does not provide the undertaking and its management with the information it should have.</p> <p>There is no such thing as a "basic" ORSA report.</p> <p>The supervisory task is to evaluate the result, not to provide a recipe for how the process is performed.</p> <p>Noted.</p>
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			<p>true for the ORSA. Our members hope that their supervisors will see the development of a meaningful and informative ORSA also as a joint learning process, implying the possibility for step-by-step improvement in the process and in the knowledge of the undertakings.</p>	
3.	Association of British Insurers (ABI)	General Comment	<p>The UK Insurance Industry</p> <p>The UK insurance industry is the third largest in the world and the largest in Europe. It is a vital part of the UK economy, managing investments amounting to 26% of the UK's total net worth and contributing £10.4 billion in taxes to the Government. Employing over 290,000 people in the UK alone, the insurance industry is also one of this country's major exporters, with 28% of its net premium income coming from overseas business.</p> <p>Insurance helps individuals and businesses protect themselves against the everyday risks they face, enabling people to own homes, travel overseas, provide for a financially secure future and run businesses. Insurance underpins a healthy and prosperous society, enabling businesses and individuals to thrive, safe in the knowledge that problems can be handled and risks carefully managed.</p> <p>Every day, our members pay out £147 million in benefits to pensioners and long-term savers as well as £60 million in general insurance claims.</p> <p>The ABI</p>	Noted.

		<p>The ABI is the voice of insurance, representing the general insurance, protection, investment and long-term savings industry. It was formed in 1985 to represent the whole of the industry and today has over 300 members, accounting for some 90% of premiums in the UK.</p> <p>The ABI's role is to:</p> <ul style="list-style-type: none"> - Be the voice of the UK insurance industry, leading debate and speaking up for insurers. - Represent the UK insurance industry to government, regulators and policy makers in the UK, EU and internationally, driving effective public policy and regulation. - Advocate high standards of customer service within the industry and provide useful information to the public about insurance. - Promote the benefits of insurance to the government, regulators, policy makers and the public. <p>General comments on the ORSA consultation</p> <p>We strongly support the overall approach taken by EIOPA of emphasising the need for undertakings to tailor their ORSA to their own circumstances. EIOPA should resist pressure to provide significantly more detailed guidance on the form and content of the ORSA report. That said, there are some areas highlighted in our response where we feel that certain additions to the text would be useful.</p> <p>Paragraphs 4.18 to 4.24 may provide some practical</p>	<p>Noted.</p> <p>There is a clear reference to diversification effects in 4.24.</p>
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		<p>implementation challenges for insurers as currently drafted. For example, overall solvency needs have to take account of the totality of risks, allowing for dependencies between these risks; insurers do not usually assess individual material risks in isolation. It would also be helpful if this guidance material was clarified as it seems to infer that off-balance sheet items and non-insurance activities should be considered (akin to a Recovery and Resolution Plan) but then discusses recognition and valuation bases with diversification effects (4.24) which seems a conflation of requirements.</p> <p>There is insufficient integration and consistency between some of the guidelines and their explanatory text. This is particularly evident in the case of Guidelines 7 to 11, where the text in Chapter Four often appears to bear little or no relation to the guidelines.</p> <p>Our understanding is that the internal report on ORSA – if appropriately compiled – could also cover a certain amount of the material required to form an adequate record of each ORSA process and also be shared with the supervisor, thus eliminating the potential for unnecessary duplication of documentation; whether or not to do this is a decision best left to insurers. This is logical as supervisors will find it difficult to assess how an insurer is using its ORSA if a significantly different report is required to be produced for passing to regulators, as it will not – by definition – be the report being used for analysis and decision-making within the insurer.</p> <p>It would be useful if the paper could provide some more information on the roles and responsibilities of individual supervisors within the College of Supervisors. A clearer understanding as to how the College would likely operate</p>	<p>Agree - the guidelines have been rearranged and the explanatory text has been amended accordingly</p> <p>There may be some overlap but basically the record of an ORSA process serves to make it possible to reproduce the individual ORSA so it will comprise much more information than is needed for the internal or external report.</p> <p>Agree.</p> <p>For that, please refer to the Paper on the College of Supervisors</p>
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			would certainly help firms in their preparation for developing their ORSA processes.	
4.	BW	General Comment	<p>Barnett Waddingham LLP welcomes the opportunity to respond to EIOPA regarding its consultation paper on Guidelines on ORSA .</p> <p>We are the largest actuarial independent partnership in the UK, and are wholly owned and managed by our 50 partners. We provide actuarial consultancy services to Life and Non Life insurers both in the UK and internationally as well as consultancy services to pension schemes.</p>	Noted.
5.	CNA Insurance Companies	General Comment	<p>CNA is a global insurance company that actively writes in the European Union and therefore has a strong interest in Solvency II, not only as it applies to European Union companies, but also its application to third country companies. We are generally supportive of the conclusions reached in the Consultation Paper on the Proposal for Guidelines on Own Risk and Solvency Assessment (Consultation Paper) and believe that subsequent to its issuance, ORSA as a concept under Solvency II will take on more clarity resulting in a process and reporting framework which describes in totality an organizations risk and capital management processes as well as its underpinning in setting strategy. This approach is generally consistent with that being taken by the NAIC and we hope that these similarities will be recognized as producing similar outcomes which will allow for the use of a single ORSA report in both the US and the EU. We are encouraged by EIOPA putting forth the option of filing a single group-wide ORSA and hope that this option will also be extended to third country-based groups with subsidiaries in the European Union.</p>	Noted.

6.	CRO Forum	General Comment	<p>1. The CRO Forum would like to thank EIOPA for the opportunity to comment on the draft Proposal for Guidelines on ORSA. The ORSA in its definition given in the Solvency II directive reflects one company's own risk management processes. Accordingly it is essential for the guideline to carefully articulate provisions that allow supervised undertakings to understand the supervisors' expectations, and refrain from setting requirements that could turn the ORSA into a supervisory compliance exercise. With due consideration to the nature, scale and complexity of the risks inherent to an undertaking, we also believe that the guideline should focus on what is to be achieved by the ORSA rather than on how it is to be performed.</p> <p>2. As ORSA is commonly used as an umbrella concept for e.g. a set of processes, a report, a policy or capital assessment, it is important that the term of ORSA used within the level 3 guidance correlates to the EIOPA definition (dated 27 May 2008). Else it will be difficult for the supervised undertakings to interpret the guideline and assess their compliance. The guideline therefore needs to clearly reference the ORSA definition to provide context for these concepts, thus helping to understand the scope of the term and its interaction with phrases used in the guidance such as 'each ORSA process', and 'record of each ORSA process'.</p> <p>3. Related to item 2, the ORSA as an umbrella process would typically include a number of internal processes such as risk limit monitoring or capital allocation which are potentially documented separately and communicated to different bodies. The ORSA requirements should appropriately take account of these internal processes to avoid duplication of e.g. documentation and communication.</p> <p>4. We welcome the allowance for a differentiation</p>	<p>Noted.</p> <p>Agree. This is the intention of the guidelines.</p> <p>The term "each ORSA process" refers to the performance of the whole ORSA, i.e. the whole thing has to be recorded. EIOPA has deleted the word process in the term "record of each ORSA process" to avoid the confusion.</p> <p>Agree. It is up to the undertaking to structure the processes and reporting in the most efficient way.</p> <p>Noted.</p>
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			<p>between the internal ORSA report and the ORSA report to supervisors enabling the undertakings to adapt their internal ORSA report fully to established management needs and standards (in terms format, scope, communication channel etc).</p> <p>5. We agree that the ORSA process and capital assessment should also include a forward looking assessment taking into account medium term risks and events that could materialize, which shall be reported in the ORSA report to supervisors. We welcome EIOPA's consistent view that such forward looking assessment remain excluded from public disclosure: this would indeed create compliance issues with existing reporting requirements like IFRS.</p>	Noted.
7.	Deloitte	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</p>	<p>EIOPA wants to keep the guidelines principles- based. Detailed examples could be interpreted as "binding" guidelines which is what we want to avoid.</p> <p>It is the nature of principles that there is an element of interpretation in how to apply the principles proportionately to an individual undertaking, and undertakings have to live with that as it is the unavoidable consequence of having more freedom of design.</p>

			<p>more specific). Guidelines seem also to be focused on financial assessments rather than non-financial assessments.</p> <p>Moreover, we believe some essential concepts are lacking, such as:</p> <p><input type="checkbox"/> Risk Appetite is an important aspect of the ORSA, but is not mentioned as such in the CP</p> <p><input type="checkbox"/></p> <p>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> <p>Please consider to add a dictionary of terminology used.</p>	<p>Ref. "Risk tolerance limit" in Guideline 4 in line with Article 45(1) of Directive 2009/138/EC which uses this term instead.</p> <p>It is up to the undertaking whether it wants to apply back-testing specifically for the ORSA or use references, e.g. to calculation of technical provisions.</p> <p>The definitions of the Directive and the implementing measures apply. Where we use terms not defined there we will give definitions if this is appropriate.</p>
8.	ECIROA	General Comment	<p>When considering ORSA requirements for Captives, it is important to understand their structure. Captives are themselves one of the instruments used by the industrial, commercial or financial companies in their risk management processes. They have one Insured which is their parent and normally issue a small number of policies with a restricted number of lines of business. They can insure risks which may not be insurable in the external insurance market (e.g. large deductibles) and provide valuable risk management data to the Parent. The risk management controls of the Parent company (such as</p>	<p>Generally there are no specific rules for captives. If a captive insurance undertaking is subject to Solvency II regulation it must meet the requirements in the same way as any other company. EIOPA agrees that for captives the application of the proportionality principle will be an important issue, but not necessarily more so than for other undertakings with specific risk profiles.</p>

		<p>business continuity management, anti-money laundering etc.) apply also to the Captive (as a subsidiary company).</p> <p>The ORSA should not be confused with an Internal Model. It is a management tool and not a tool to regulate capital. Taking into consideration the captive structure, the type of risks and the volume of risks, it is important that the principle of proportionality is applied to Captive ORSAs.</p> <p>If the proportionality principle applies on what is to be achieved rather than how it is to be performed, is the required level of detail and amount of documentation the same for all companies? As captives have very few employees – and often outsource their day-to-day management – the production of all the expected documentation as described in these guidelines will be very burdensome and could indeed increase the operating costs of a captive. We suggest that templates be agreed for the ORSA documentation (the templates can be proposed by ECIROA), in order to:</p> <ul style="list-style-type: none"> - make clear how the regulator will apply the proportionality principle, - reduce operating costs for captives. <p>In the process of developing a proportionate ORSA for captives, it is very important to consider how much information is necessary to get a full picture of the risks of the company in question. For smaller, simpler companies the AMSB and the supervisory body will very easily have access to more information and there will be more transparency than it would ever be possible to obtain for a complex undertaking.</p> <p>We propose that there is an agreed ORSA framework for Captives, which will allow the AMSB and the Supervisor to</p>	<p>The proportionality principle applies to how the ORSA is performed. The requirements as to what is to be achieved are the same for all undertakings. It is up to the undertakings to find the best way to meet the requirements in an efficient way.</p> <p>EIOPA agrees, however this is not Captive specific.</p> <p>Undertakings have to take into account all material risks. It is not possible to discount certain risks for certain undertakings in advance.</p>
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		<p>fully understand the risks and how they are managed whilst not being too burdensome for these small undertakings.</p> <p>We believe that the following risk categories should be sufficient for Captives: -</p> <ol style="list-style-type: none"> 1. Underwriting risks 2. Reinsurance risks 3. Market risks 4. Asset/Liability management 5. Investment risks 6. Liquidity risks 7. Concentration risks 8. Operational risks <p>ECIROA has produced Captive Best Practice Guidelines which will enable them to proportionately meet Pillar 2 requirements. Captives already document many of their risk management processes which can be used in their Governance process and may be incorporated into their ORSA.</p> <p>We propose the following methodology to implement Captives' ORSA:</p> <ul style="list-style-type: none"> - Step 1: risk mapping (risk identification, assessment of material risks and comparison of their risk profile with the assumptions underlying the SCR). Input to perform these processes: risk register, and pillar 1 calculation. Output: risks not properly calibrated with assumptions underlying the SCR. - Step 2: stress-testing (recalibration and/or stress-tests scenarios in line with time horizon of the business 	<p>Noted. Any proposed methodology should be consistent with the Directive and the guidelines. This resolution template does not have the purpose to present such an assessment.</p>
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			<p>plan). Input: stress-tests scenarios, pillar 1 calculation, and business plan of the captive. Output: overall solvency assessment over the business plan period, corrective capital management proposals if needed.</p> <p>- Step 3: decision-making (process review by the board, discussion about corrective proposals, implementation of the approved action plan). Input: results from steps 1 and 2. Output: record of the ORSA process, ORSA internal and supervisory reports, action plans.</p> <p>We further propose that an annual ORSA should be sufficient other than in the case of significant changes when a more frequent ORSA could be provided.</p> <p>With regard to the Captive Business Plan, this should also be simplified. It should be sufficient for 3 – 5 years Profit and Loss and Balance Sheet projections to be provided. This could be by the use of scenarios or on a stochastic basis or a combination of both (dependent upon the size of the captive and the number and type of risks underwritten).</p> <p>Please note that where a comment has not been made on a particular paragraph, this does not indicate that we agree with the paragraph.</p>	<p>Could definitely turn out to be the case, but it is not possible to claim that for all Captives in advance.</p> <p>EIOPA agrees but this is not Captive specific but sufficient for all undertakings.</p> <p>Noted.</p>
9.	CEA	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</p>	Noted.

			<p>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 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>	<p>Agree.</p> <p>Agree.</p> <p>Agree. But the ORSA will also show where an intended strategy has to be changed.</p> <p>Agree. But the supervisor may ask for changes to the report it gets if the information contained therein is less or more than it requires for its purposes.</p>
10.	EST	General Comment	We appreciate highly the initiative. At the same time we are of opinion that the main purpose for the above mentioned Guidelines is an indication about what should	Guideline 3 is not a detailed prescription of how the ORSA process should be done; it sets out minimum

			<p>clearly be an outcome of the insurers own risk management process in order to satisfy all the criteria and requirements prescribed by the S2 regulation. The document should not prescribe, however, how this exactly should be done (see for instance "Guideline 3-Documentation") as with a very precise regulation of the undertakings expenses may increase in one hand but the result may also be reflected in an increase of overall systemic risk.</p> <p>From the other hand it must be assured, that the risk management- related information according to ORSA is equally prepared and made available on the local solo undertaking level to the local supervisory authority as it is done and available on group level in order to guarantee that the interests of policyholder are properly protected as well as to assure the financial stability on the local market level.</p>	<p>requirements on what in EIOPA's opinion is necessary in order to achieve the purpose.</p> <p>Noted.</p>
11.	FRC	General Comment	<p>The FRC is the UK's independent regulator responsible for promoting high quality corporate governance and reporting. We are independent from those we regulate and Government. We focus on high quality regulation that supports investment in the UK to generate economic growth and employment.</p> <p>We set standards for actuarial work for IORPs and insurers through the Board for Actuarial Standards. We set standards for financial statements through the Accounting Standards Board and the work of auditors through the Auditing Practices Board. We are also responsible for the UK's Corporate Governance Code which sets out standards of good practice in relation to Board leadership and effectiveness, including risk management, remuneration, accountability and relations with shareholders. The FRC executive includes actuaries with pensions and insurance expertise and other</p>	Noted.

		<p>professionals such as accountants and lawyers.</p> <p>We support the EU's Smart Regulation agenda. We consider that regulation should be principles based where appropriate, be targeted, implemented at the right level, and be proportionate. We also consider that an impact assessment should be an essential part of the formulation of any new or change to existing regulations.</p> <p>We are concerned that there is a risk that the ORSA including the work required to meet the Directive requirements and reporting becomes disproportionate forcing insurers to incur significant cost relative to their risk appetite. These guidelines are an opportunity to ensure the ORSA process remains proportionate.</p> <p>The guidelines lay particular emphasis on quality of documentation and the information that should be reported (guidelines 3 – 6) and indicates that a wide range of stress/scenario tests might be required (guideline 9). The explanatory text goes into considerable detail concerning the work required and the reporting. We are concerned that this emphasis encourages a disproportionate response.</p> <p>We are also concerned that the guidelines do not make clear exactly what the ORSA is. One interpretation might be that it is a quantification of the amount of capital</p>	<p>EIOPA emphasizes throughout the document the importance of the principle of proportionality.</p> <p>EIOPA does not consider the level of detail to be substantial. The guidelines are still high level and the explanatory text is just that, explanatory nothing more. EIOPA is more concerned about undertakings failing to implement necessary processes and procedures if there were no guidelines than some undertaking doing a little more than is strictly necessary to comply.</p> <p>EIOPA emphasises throughout the document the importance of the principle of proportionality.</p> <p>It should be noted that the ORSA is a requirement from the Directive. Any possible additional costs caused by the ORSA requirements follow directly from the Directive. These guidelines do not aim at extending the Directive requirements.</p> <p>EIOPA does not consider the level of detail to be substantial. The guidelines are still high level and explanatory text does not intend to impose additional</p>
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			<p>required over the business planning period supported by a rationale. The rationale should be sufficient for management to be able to take appropriate actions as the business environment develops through the planning period.</p> <p>We also suggest a number of smaller points based on our experience of standard setting which we consider help in ensuring good, clear and effective regulation.</p> <p>We would welcome the opportunity to work with EIOPA in developing these proposals for Guidelines in support of the Directive and its Implementing Measures.</p>	<p>requirements.</p> <p>In EIOPA`s opinion the ORSA is not only about quantification of capital, it is about assessing all risks, including risks which cannot or will not be mitigated by capital.</p> <p>EIOPA does not envisage further stakeholder involvement after the public consultation.</p>
12.	Ganado & Associates , Advocates	General Comment	<p>We welcome the draft guidelines on the ORSA. In our view, the proposed guidelines generally establish sufficiently clear principles which undertakings are to follow when conducting their ORSA. However, certain elements require clarification, as outlined in our comments below.</p> <p>Any appreciation of facts, statements, or information provided by other parties, such as the assessment of non-quantifiable risks as mandated in para 4.28 should be carried out having regard to the standard of care established in the relevant national legislation of the undertaking`s domicile. For instance, directors of Maltese insurance undertaking will have to carry out their appreciation honestly and in good faith and in the best interests of the company.</p> <p>Our comments focus on the effects of the rules on captive insurance undertakings and ring-fenced funds.</p>	<p>Noted.</p> <p>Agree.</p>

13.	Gibraltar Insurance Association	General Comment	<p>Although EIOPA clearly does not wish to provide concrete examples of how an ORSA might look, the existing guidance is vague and makes it extremely difficult to determine what might be appropriate – both internally and for regulatory reporting purposes. Who will assess whether a document meets the necessary requirements for regulatory reporting? How are companies to determine this without any clear and concise details?</p> <p>The principal of “proportionality” is referred a few times on the document. However there is not guidance on which terms this should be applied.</p>	<p>Solvency II is principle based and it is not the intention and neither is it possible to provide detailed guidelines that will suit all undertakings.</p> <p>It is up to the undertaking to determine what is needed for appropriate internal reporting. There is no one size fits all regulatory reporting. Such regulatory reporting would at a minimum be such as to inform the supervisory authorities’ assessment of the undertakings’ compliance with the ORSA requirements.</p> <p>The terms are set out in Directive 2009/138/EC: proportionate means that the nature, scale and complexity of the risks an undertaking faces has to be considered.</p>
14.	GNAIE	General Comment	<p>The Group of North American Insurance Enterprises (GNAIE) is an association of insurers based in Bermuda, Canada, and the United States. A number of our member companies are active writers in the European Union and as such have an interest in the development of Solvency II, especially as it applies to third country companies.</p> <p>While many of our specific comments relate to the third country issues, GNAIE does support EIOPA’s overall conclusions that an ORSA should reflect a company’s own view of its risk profile and that no specific templates or</p>	<p>Noted.</p> <p>Noted.</p>

			<p>stress tests are to be required. This approach is in line with the ORSA requirements recently adopted by the NAIC and we hope the similarity of the approaches will allow the use of a single ORSA report in the US and the EU.</p> <p>We also commend EIOPA for recognising that many companies conduct their ORSA on a group basis and for allowing the option of filing a single group wide ORSA report. We hope that this group wide approach will also be extended to third country based groups filing ORSA's with their supervisors under equivalence. We would urge EIOPA to develop further guidance as to the application of the ORSA Guidelines to groups based in third countries, especially assuming recognition of equivalence under Article 260.</p>	Noted
15.	Groupe Consultatif	General Comment	<p>We think generally that ORSA should</p> <ul style="list-style-type: none"> - not mean even in the longer term the necessity for undertakings to build internal models, and - <p>should be seen as a management tool and not so much as a supervisory tool that could in some situations even trigger capital add-ons. We strongly support the overall approach taken by EIOPA of emphasising the need for undertakings to tailor their ORSA to their own circumstances. EIOPA should resist pressure to provide more detailed guidance on the form and content of the ORSA report</p> <p>We believe that, for the ORSA to be a document suitable for the Board / AMSB to engage with, there must be every effort not to duplicate information that is reported on elsewhere in the company's systems and processes.</p>	<p>Agree that there is not an automatic link from ORSA to a requirement to develop an internal model.</p> <p>Noted.</p> <p>EIOPA agrees that we do not want descriptions of processes and procedures in the ORSA report that we may be able to get from other sources already are not required. The ORSA report is about outcome and how the undertaking arrived at it and the risks the undertaking has identified as material. Also the conclusions from the ORSA, the follow-up, should be set out.</p> <p>The ORSA report is about the ORSA</p>

			<p>For the supervisor's benefit, detailed reporting on processes such as risk management and technical provisions are already available elsewhere, e.g. in the SFCR or in the Actuarial Reports to the Board. The ORSA should focus on strategic level issues, not on technical issues. This applies in particular to paragraphs 3.18 (data quality) and 3.27 (technical provisions).</p> <p>We also recommend that it is made clear where the guidelines are referring to the ORSA report of the ORSA process as this is not always clear.</p> <p>Also, we feel that there is insufficient integration between the guidelines and the explanatory text. The integration is particularly lacking in the case of Guidelines 7 to 11, where the text in section 4 bears little relation to the guidelines</p> <p>The term "stressed situations" is used several times in the paper. An undertaking should specify the "stressed situation" in its ORSA-report to ensure clarity. This also counts for "materiality" of a risk.</p>	<p>outcome, it does not refer to a report on the ORSA process.</p> <p>See answer to comment no. 3.</p> <p>Agree.</p>
16.	ILAG	General Comment	<p>ILAG is a trade body representing members from the Life Assurance and Wealth Management industries in the UK.</p> <p>ILAG members share and develop their practical experiences and expertise, applying this practitioner knowledge to the development of their businesses, both individually and collectively, for the benefit of members</p>	Noted.

			<p>and their customers.</p> <p>ILAG members include:</p> <p>AXA Wealth Met Life UK</p> <p>Barclays Wealth Metropolitan Police Friendly Society Ltd</p> <p>Barnett Waddingham MGM Advantage</p> <p>Canada Life Limited Mazars</p> <p>Capita Life and Pensions Services Oxford Actuaries and Consultants plc</p> <p>Co-operative Financial Services Pacific Life Re</p> <p>Defaqto Partnership Assurance</p>	
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			<p>Deloitte LLP Phoenix Group</p> <p>Ecclesiastical Insurance Group Pinsent Masons</p> <p>Ernst & Young PricewaterhouseCoopers</p> <p>Family Investments Reliance Mutual</p> <p>Fil Life Insurance Limited RGA</p> <p>Friends Life Royal London Group</p> <p>General Reinsurance (London Branch) Sanlam Life & Pensions</p> <p>Hannover Life Re (UK) Ltd SCOR Global UK Limited.</p>	
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			<p>HSBC Bank Plc Skandia UK</p> <p>Just Retirement Limited Suffolk Life</p> <p>HCL Insurance BPO Services Limited Sun Life Assurance Company of Canada</p> <p>KPMG Swiss Re Europe SA (UK Branch)</p> <p>Logica The Children's Mutual</p> <p>London & Colonial Assurance PLC Towers Watson</p> <p>LV= Wesleyan Assurance Society</p> <p>Milliman Zurich</p>	
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			<p>Associate Members</p> <p>AKG Actuaries and Consultants Ltd</p> <p>Steve Dixon Consultants and Actuaries</p> <p>McCurrach Financial Services</p> <p>Meteor Asset Management</p> <p>NMG Financial Services Consulting Limited</p> <p>State Street Investor Services</p> <p>ILAG welcomes the opportunity to respond to this consultation, and our comments on the specific questions within the proposed draft guidance are set out below.</p> <p>Broadly, we are in agreement with the aims and the tone of the CP. Our major concern is whether EIOPA will be able to ensure national supervisors will allow for proportionality in their treatment of smaller insurers.</p>	<p>Noted.</p> <p>Noted.</p>
17.	IUA (International Underwriting Association of London)	General Comment	<p>The International Underwriting Association (IUA) represents insurance and reinsurance companies in the international insurance and reinsurance market working in and through London. Our membership, consisting of 40 general insurers and reinsurers, makes up approximately 95% of the London insurance company market.</p> <p>The general approach of the guidelines appears to be to recognise that the ORSA is a management tool for regulated undertakings and that that it must be tailored on a proportionate basis to the specificities of the</p>	<p>Noted.</p> <p>Noted.</p>

			<p>company. It is also stated that the focus should be on what the ORSA must achieve rather than how it is to be performed. We believe that EIOPA is thereby adopting the right approach to ensure that the industry embraces the ORSA as a valuable instrument that is key to the management of the company.</p> <p>However, we also believe that the guidelines are too prescriptive. They impose too many detailed and specific requirements, notably with regard to what procedures must be developed and what documentation must be prepared and made available. In our view, if the ORSA is to be a genuine and effective management tool, the management should be free to use and adapt it in response to the needs of the company, subject to meeting the requirements of the regulators and EIOPA in terms of effective and transparent risk management and outcomes.</p>	<p>Disagree the guidelines are to a large extent interpretations of requirement laid down in the Directive 2009/138/EC.</p>
18.	KPMG ELLP	General Comment	<p>We strongly welcome the publication of this consultation paper (CP) in advance of finalisation of Omnibus 2 and Level 2. The ORSA is a very important component on the Solvency II regime, so any guidance that helps firms and groups better understand their needs in this area is very helpful.</p> <p>Overall we support the direction that EIOPA have looked to taken, but believe the paper could be improved greater consistency between the Group guidelines and the rest of the CP.</p> <p>Given international developments, it may be helpful to explain how Recovery and Resolution Plans (RRPs), could be included as part of the ORSA analysis. Although RRP are currently being discussed for significant international financial institutions (SIFI) only, some insurance groups will need to develop both ORSA and RRP. For other</p>	<p>Noted.</p> <p>Agreed</p> <p>There´s no mention of a Recovery and Resolution Plan in SII.</p>

			groups, resolution plans could have a direct link with the ORSA.	
19.	Legal & General Group plc	General Comment	<p>We believe that the principle of proportionality is not emphasised sufficiently: there should be more detailed reference and focus in the guidelines upon materiality.</p> <p>The operation of the College of Supervisors/Group Supervision is unclear in terms of the respective roles and responsibilities of each national supervisor. We would appreciate a clearer understanding as to how the College will operate, in particular with regard to ORSA processes.</p>	<p>Disagree. Guideline 1.</p> <p>The EIOPA college guideline L3 will be clear in this regards</p>
20.	MARSH Captive Solutions Group	General Comment	<p>Marsh appreciates being given the opportunity to comment on this Consultation Paper.</p> <p>We recognise that the ORSA proposals are similar in format to the previous May 2008 ORSA Paper and that much of the content of this paper is unchanged from the previous guidance given.</p> <p>We welcome the fact that there are no significant additional requirements or changes in direction in this consultation paper.</p> <p>From a captive perspective, the principle of proportionality is a key principle of Solvency II and we welcome the fact that this consultation paper reiterates this and states that the ORSA process should be tailored to fit into the organisational structure and risk management system with appropriate and adequate techniques to assess its overall solvency needs taking into accounts the nature, scale and complexity of the captive business model.</p>	<p>Noted.</p> <p>Noted.</p> <p>Noted.</p> <p>Noted.</p>

23.	RSA Insurance Group	General Comment	<p>We strongly support the overall approach taken by EIOPA of emphasising the need for undertakings to tailor their ORSA to their own circumstances. EIOPA should resist pressure to provide more detailed guidance on the form and content of the ORSA report.</p> <p>Paragraphs 4.18 to 4.24 imply a misunderstanding of how solvency needs are related to individual risks. Overall solvency needs have to take account of the totality of risks allowing for the dependencies between these risks. They cannot properly be assessed by considering individual material risks in isolation.</p> <p>There is insufficient integration between the guidelines and the explanatory text. The integration is particularly lacking in the case of Guidelines 7 to 11, where the text in section 4 bears little relation to the guidelines.</p> <p>A concern of ours is that different regulators will put pressure on undertakings to adopt a particular format for their ORSA report with the result that there are in practice widely differing requirements between different jurisdictions. We strongly support EIOPA's decision to reject the option of producing a pro forma report and the rationale it has set out in paragraphs 5.39 to 5.42. We would welcome explicit guidance to the effect that regulators should not seek to dictate the detailed content of the ORSA report.</p>	<p>Noted.</p> <p>Disagree. 4.24 explicitly refers to diversification.</p> <p>The paragraphs do not imply that individual risks should be considered in isolation.</p> <p>See answer to comment no. 3.</p> <p>EIOPA emphasizes that the ORSA process including reporting belongs to the undertakings and that there is no "one size fits all", neither with regard to process nor reporting.</p> <p>That EIOPA does not prescribe a particular format does not mean that the supervisory authority will not assess whether the content of the ORSA report is sufficient for supervisory purposes and require additional information if it is not.</p>

24.	AMICE	3.1	<p>We feel that the wording chosen (“... is to be interpreted ...” stands in contrast to the “comply or explain” character of EIOPA’s non-binding guidelines.</p> <p>The clarification to whom the guidelines are addressed (in view of the ambiguity of Art 16(1) of the EIOPA Regulation – “... addressed to competent authorities or financial institutions”), should be clearly given in the introduction of the Guidelines (maybe together with the text of par. 3.41)</p> <p>Reporting procedures and deadlines on compliance (par. 3.42 and 3.43) should stay at the end.</p>	<p>Disagree, setting out an interpretation that all EIOPA members agree upon helps to ensure that supervisory practices are harmonised as there will no longer be differences owing to different interpretation of the requirements.</p> <p>Agree that the addressee needs to be clear but this cannot be done in the introduction since some guidelines and recommendations apply to undertakings and some to supervisory authorities.</p> <p>They do. The Explanatory text was only supplied for the purpose of the consultation and will not be published by EIOPA with the final Guidelines and Recommendations.</p>
25.	CEA	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>	<p>Yes, it is up to the undertaking to determine how to comply with the Directive. However, these guidelines inform the supervisory authorities on how to assess compliance of the undertaking with the Directive requirements and in doing so these guidelines inform the undertaking on how they could comply with the Directive. In this way these guidelines also serve the purpose of harmonisation the interpretation of the Directive requirements.</p>

26.	AFM	3.2	This approach is fully supported but in line with the points made under General Comments above it is believed that greater definition needs to be given to what is meant by proportionality in the context of how the ORSA process is to be performed.	Proportionality is sufficiently defined in the Directive. EIOPA cannot be more specific about the application of the principle in practice.
27.	AMICE	3.2	<p>We welcome the focus on what is to be achieved rather than on how it is achieved.</p> <p>Of equal importance is for us the clarification in this paragraph that the assessment represents the undertaking's own view and the consequent conclusion that the undertaking should decide for itself how to perform the assessment appropriately, given the nature, scale and complexity of its risk.</p> <p>The application of proportionality is therefore clearly entrusted to the undertakings themselves. This is in line with our view that the ORSA is a strategic tool for managing the undertaking (cf. Rec 36 and Art 45(4) L1). This statement is in our view so important for insurers and for the supervisory community that we strongly suggest adding it to Guideline 1 and to the explanatory text to this guideline.</p>	<p>Noted.</p> <p>This does not only apply to proportionality in a principles-based system it is always first on the undertaking to determine how to organise itself within the framework of the principles.</p> <p>Yes, the application of the proportionality principle is up to the undertaking. Nevertheless it is the duty of the supervisory authority to assess whether solution presented is actually proportionate.</p>
28.	Association of British Insurers (ABI)	3.2	We strongly support EIOPA's sentiment that the guidelines should focus on what the ORSA should achieve rather than how it is to be performed.	Noted.
29.	BW	3.2	We think that the regulator will have a lot of influence on how it is performed based on what they view of the risks are. We have concerns that this will not be consistent throughout the EU and more guidance on proportionality would help to alleviate this.	That EIOPA does not prescribe how the ORSA is to be performed does not mean that the supervisory authority does not assess whether it is performed properly in view of the risks the undertaking faces and that it will not

				ask for changes if it considers the performance to be lacking.
30.	CEA	3.2	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.	Noted.
31.	Ganado & Associates , Advocates	3.2	We agree with the principle that the undertaking should decide for itself how to perform its Own Risk and Solvency Assessment taking into account the nature scale and complexity of its risks.	Noted.
32.	ILAG	3.2	We have concerns that supervisors will develop their own view of acceptable allowances for risk and then seek to impose them through the ORSA monitoring process.	The ORSA will show whether an undertaking appropriately manages its risks and its capital and while there is considerable leeway for discretion, there is a point where risk and capital management can no longer be considered as adequate and the supervisory authority would have to intervene.
33.	Legal & General Group plc	3.2	We endorse the sentiment that the guidelines should focus on what the ORSA should achieve rather than its performance	Noted.
35.	CEA	3.3	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. In addition, only the participating insurance or	In the former version, the sentence was "The guidelines and recommendations apply to both solo undertakings and at a group level" but it changes. We could accept the change suggested

			<p>reinsurance undertakings or the insurance holding company is required to undertake the ORSA at group level (Article 246(4) of framework directive).</p> <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>	Change for group specificities of the ORSA
36.	FEE	3.3	<p>We recommend specifying the scope for international groups, e.g. by criteria to evaluate if a separate ORSA (incl. reporting requirements) for sub-groups is required. Moreover, do group ORSA requirements apply fully to sub-groups and what can be required by local supervisors? Is the requirement for sub-groups linked to the option of additional supervision by local supervisors (Art. 216) – Level 3 supervision: solo, sub-group, group?</p>	ORSA is only for solo undertakings or group (considering the two possibilities: group ORSA or single ORSA document) but the possibility of subgroup ORSA is out of discussion
37.	KPMG ELLP	3.3	<p>More clarity could be provided relating to the scope of the ORSA for international groups. This is especially relevant to third country groups where section 260 has been applied by adopting other methods of group supervision. Another area related to national level sub-group supervision – what level of ORSA is required in relation to such groups, or is the sub-group supervision limited to the solvency calculation?</p>	<p>The requirement will apply to groups “with an head in EEA”</p> <p>See comment 36</p>
38.	Deloitte	3.4	<p>Comment:</p> <p>Throughout the paper there is no reference to partial internal model users.</p>	Partially agreed. Put “partial and full internal model”

			<p>Proposed new wording (change is highlighted in green):</p> <p>“The guidelines apply similarly to standard formula and (partial) internal model users(1) with some additional explanations dedicated specifically to the latter.”</p> <p>Footnote (1) Where the guidelines use the term ‘internal model’, this includes as well partial internal model users.</p>	
39.	CEA	3.4	We support that the guidelines will be applied uniformly to users of internal models and of the standard formula.	Noted.
40.	AFM	3.5	In line with the comments made in response to paragraph 3.2 their is insufficient information given to how proportionality should apply.	See comment to no. 3.
41.	KPMG ELLP	3.5	An area where additional information would be helpful relates to the Supervisory Review Process (SRP) in relation to the ORSA. Given the high-level nature of the material within this ORSA paper (which we welcome) clarity around the supervisory review of the ORSA, the approach to reviewing the ORSA and the supervisory areas of focus would be useful to understand and we welcome EIOPA’s comment that this will be covered in guidelines on the SRP.	This is outside the scope of these Guidelines and Recommendations. The Guidelines and Recommendations on the SRP will be high level and not explain areas of supervisory focus for the ORSA: EIOPA does not want the ORSA reduced to a tick-box exercise.
IRSG	IRSG	3.6	This introductory guideline should precise that the AMSB’s involvement in the ORSA process needs clarification, taking into account the introduction of new Recital 44 a CRD IV by ECON	<p>EIOPA considers that it does stress the AMSB’s involvement.</p> <p>Recital 44a of CRD IV “explains” the use of terminology. EIOPA has clarified the term AMSB in the guidelines and recommendations on the System of Governance.</p>
42.	AMICE	3.6	From the use of the “or” between “administrative, management or supervisory body”, we deduct that more than one body (e.g. the administrative and the supervisory one) can be involved.	EIOPA uses the term in line with the Directive 2009/138/EC. It depends on national law who is addressed. EIOPA will not change the terminology used

			<p>We share EIOPA's idea that the AMSB responsibility is to ensure that the process is properly conducted and that the conclusions are being challenged. Beyond this, it should be the AMSB's duty to structure the ORSA process, involving the components of the AMSB as well as other levels of management in the undertaking.</p>	<p>by the Directive in this or other instances.</p> <p>Agree.</p>
43.	Association of British Insurers (ABI)	3.6	<p>As well as identifying all the material risks that they face, firms might also undertake scenario testing to establish and aid understanding of credible tail risks, which may be hard to quantify.</p>	<p>Agree.</p>
44.	Deloitte	3.6	<p>Comment:</p> <p>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.</p> <p>Proposed new wording (change is highlighted in green):</p> <p>"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>	<p>EIOPA uses the term in line with the Directive 2009/138/EC. It depends on national law who is addressed. EIOPA will not change the terminology used by the Directive in this or other instances.</p>

45.	FEE	3.6	<p>It is very important that AMSB also takes an active role in the ORSA process by directing and challenging the performance. Nonetheless, as ORSA reporting is generally owned by risk management departments (risk management function with support / contribution of actuarial function) the "independence question" arises. In our view the report in terms of ORSA results should be generally owned by the 2nd line of defense. Nonetheless, the active management involvement is crucial. Moreover, the ORSA policy as a written policy should be owned and approved by the AMSB. The approvals requirements of the management body and the ownership of the ORSA itself should be specified.</p>	<p>According to Article 41 of directive 2009/138/EC all policies need AMSB approval, so there is no need to repeat this. EIOPA wants to stress very clearly that the AMSB is ultimately responsible for and needs to be actively involved in the ORSA.</p>
46.	Ganado & Associates , Advocates	3.6	<p>The paragraph states that the « AMSB also takes an active role in the ORSA process, directing and challenging the performance ». It is not clear as to what extent the directors are to challenge the ORSA process, is performance and its results.</p> <p>We are of the view that the directors' duty to challenge is to be carried out having regard to the national provisions on director duties and the standard of care applicable to directors of companies. Furthermore, regard is to be had to the nature, scale and complexity of the undertaking.</p>	<p>To the extent necessary under the specific circumstances.</p> <p>Agree with the first sentence. However, the nature, scale and complexity of the risks of the undertaking have nothing to do with how active a role the AMSB has to take.</p>
47.	KPMG ELLP	3.6	<p>We are strong believers that information needs to be appropriate to the audience and the risk of information overload should be avoided.</p> <p>We therefore believe that the AMSB should be aware of all material risks, rather than all risks, which could be a very long list, especially for large international groups. The proportionality principle should apply. In addition there is a risk that too much information could result in the AMSB's attention becoming focused in the wrong</p>	<p>Agree. But proportionality has nothing to do with it.</p>

			<p>areas from a risk and business perspective.</p> <p>We believe that all risks should be assessed by the risk management function, who would be responsible for ensuring that all material risks are reported to the AMSB.</p>	Agree.
48.	Legal & General Group plc	3.6	As well as identifying all the material risks that they face, firms might also undertake scenario testing to establish and aid understanding of credible tail risks which may be hard to quantify	Agree.
50.	AMICE	3.7	The assessment should in no case (and not only “not necessarily”) call for an approach that is more complex than the standard formula. We suggest deleting the word “necessarily”. See the very clear instruction in Rec 36 L1.	EIOPA disagrees. The ORSA can necessitate a complexity equal to an standard formula.
51.	Deloitte	3.7	<p>Comment:</p> <p>To express that the approach should not necessarily be complex but must be sufficiently comprehensive to effectively reflect the risks, we believe that it would be appropriate to state that the approach should reflect the risk profile.</p> <p>Proposed new wording (change is highlighted in green):</p> <p>“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.”</p>	EIOPA agrees. We like the proposed new wording and it will be inserted in guidelines
52.	CEA	3.7		
53.	AMICE	3.8	It would be useful to clarify that this introductory recital relates to users of the standard model.	Noted
54.	BW	3.8	The standard formula is designed to ‘fit’ an average firm. Each undertaking would have a different risk profile than an average firm. To explain the difference between	Yes, see the cover letter to the consultation.

			an average firm and the company specific risk profile, one needs to understand what's the risk profile of an average firm is, will this be provided?.	
55.	CRO Forum	3.8	Any limitations of the internal model shall be documented as part of the internal model documentation and not to be duplicated in the context of the ORSA.	Disagree. This is not the object of this paragraph.
56.	Deloitte	3.8	<p>Comment:</p> <p>The wording «at the same moment in time »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.</p> <p>Proposed new wording:</p> <p>“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.”</p>	EIOPA agrees.
57.	Groupe Consultatif	3.8	<p>We would like to clarify the following sentence: “the risk profile of the undertaking as established for the ORSA and as part of the SCR calculation are considered at the same moment in time”.</p> <p>Indeed we consider that risk allocation and risk budget could be defined and adopted by the administrative and management or supervisory body (AMSB) prior to year end calculations, hence prior to SCR calculations. Hence we believe that fast close approaches where the risk profile considered for risk budget allocation may be assessed on a basis different than the opening balance sheet used for the SCR calculation provided that the</p>	EIOPA agrees with the suggestion that the reference dates could be different if there has not been a material change. However, the wording that the risk profile is established should be avoided.

			changes in the risk profile between the two reference dates (reference date used for the ORSA assessment and reference date used for the SCR calculation) are not material.	
58.	ILAG	3.8	<p>We have some concerns that supervisors will use this risk assessment to push firms into using an internal model when the firm is not of the scale or sophistication where an internal model is of any material benefit in risk management.</p> <p>We do agree in principle with the statement, but would question whether a materiality caveat is required, although this is implied by 3.28.</p>	<p>Noted.</p> <p>Materiality is always applicable.</p>
59.	KPMG ELLP	3.8	<p>Given the proposals to report the ORSA separately from the year end reporting requirements, some clarity regarding the extent of disclosure in relation to differences from the SCR calculation would be helpful. In particular, if the ORSA report and SCR reporting are at different dates, then a numerical comparison may not be helpful. For example, it could be made clear that this does not necessarily need to be a comparison against the annual SCR, but could instead be a comparison against the estimated SCR as reported in the latest quarterly QRT.</p>	<p>See comment no. 57.</p>
60.	Deloitte	3.9	<p>Comment:</p> <p>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.</p>	<p>Agree.</p>

61.	CEA	3.9	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."	EIOPA does not understand this suggestion.
62.	Groupe Consultatif	3.9	While the use of an internal model in the performance of ORSA is critical, simplified models should be allowed in areas of ORSA where the complexity of an internal model would be impractical / difficult (e.g. multi-year projection of economic balance sheet)	Agreed.
63.	Deloitte	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.	Art 246.4 of SII: Where the group exercises the option provided... The exercise of that option shall not exempt the subsidiaries concerned from the obligation to ensure that the requirements of Article 45 are met. There´s no mention of a demonstration of compliance with art. 45 and nothing related to performing a solo ORSA and a group ORSA in a single ORSA document. The single ORSA document will one covering all the assessments of the group and at the level of any subsidiary in the group at the same time. Art 246.4 is enough clear.
64.	FEE	3.11	See 3.3.	
65.	KPMG ELLP	3.11	See 3.3.	
66.	CRO	3.12	We would like clarity as to what the 1st and 2nd case are	EIOPA agrees and has deleted the

	Forum		referring.	paragraph.
67.	Deloitte	3.12	Comment: This paragraph is unclear regarding what is "the first case" and "the second case".	See comment no. 66.
68.	Groupe Consultatif	3.12	It is unclear what is ""the first case"" and ""the second case"".	See comment no. 66.
69.	Partnership Life Assurance Company Limited	3.12	The use of the term 'ORSA supervisory report' could be misleading as this could refer to either a report to the supervisory body from the insurance undertaking or a report compiled by the supervisory body in response to the submission of the ORSA by an insurance undertaking.	See comment no. 66.
71.	AMICE	3.13	See our comments on 3.1.	Noted.
IRSG	IRSG	3.14	With the agreement of the local supervisor, it should be possible to perform an ORSA at an intermediate aggregation level when some local entities are not differentiated in terms of management and operate in the same country. Indeed, in such situations, performing the ORSA for each entity seems pointless as the entities are managed at a global level. However, ORSA should provide quantitative and qualitative information for each legal entity (no sub-group view).	This solution is not foreseen in the Directive or the implementing measures. EIOPA takes note of this comment.
72.	Deloitte	3.14	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. 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	The paragraph has changed.

			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.	
73.	CEA	3.14	Reference should also be made to Article 246(4) of the framework directive. Please refer to paragraph 3.3.	See answer 35
74.	Groupe Consultatif	3.14	With the agreement of the local supervisor, it should be possible to perform an ORSA at an intermediate aggregation level when some local entities are not differentiated in terms of management and operate in the same country. Indeed, in such situations, performing the ORSA for each entity seems pointless insofar as the entities are managed at a global level.	No mention to subgroups or intermediate aggregation level (explanation required about this new concept) See answer 63
75.	KPMG ELLP	3.14	Consideration needs to be given to the definitions included here. Where a group is located outside the EEA, then the need for a group ORSA will depend on the basis of group supervision determined in accordance with article 260. In addition, some groups will be subject to equivalent group supervision elsewhere. Acknowledgment needs to be given to the fact that such groups will not be required to complete a Solvency II group ORSA>	The group, at the ultimate community level has to prepared a group ORSA and solo ORSA for its subsidiaries or a single ORSA including all subsidiaries, irrespective of where the parent undertaking is or if there is equivalent or not, because the part of the group located in the EEA are under SII rules.
76.	AFM	3.15	This is insufficient as it does not address how the concept of proportionality will or should be applied by the home state regulator and therefore places the firm in a position of having to make its own judgements of what will be considered satisfactory by the regulator in terms of the process undertaken. The majority of the AFM's members are SMEs and are concerned that the absence of guidance	See comments no 3. on the application of the principle of proportionality in the introduction part. This applies to all principles-based requirements and cannot be changed as it is a necessary component of a

			from EIOPA in this regard will lead to an inconsistent approach across the EU home nations and the potential for the approach to be determined by larger entities that have greater resources available to them.	principles-based approach.
77.	AMICE	3.15	<p>We appreciate that the Guidelines start off with a Guideline on proportionality and that the text now includes a clear reference to proportionality as it is defined in the L1 text, namely to nature, scale and complexity of the risks inherent in the business of the undertaking.</p> <p>We regret, however, that we still do not find a reference to the declared purpose of proportionality, namely to ensure a proportionate application of the Directive in particular to small insurance undertakings. Necessary investments and following compliance costs must be scalable to avoid competitive disadvantages that could threaten the existence of smaller undertakings with non-complex risks</p> <p>Given the importance of the statement in per. 3.2., we strongly suggest including in the guideline a passage emphasising that the application of proportionality is entrusted to the undertakings themselves. See our comment on 3.2.</p>	<p>Noted.</p> <p>Guidelines and Recommendations should not repeat Directive 2009/138/EC or implementing measures, so the recital cannot be repeated.</p> <p>The guideline says: "The undertaking should develop its own processes (...) taking into consideration the nature, scale and complexity (...)".</p>
78.	BW	3.15	We support this principle but have concerns how proportionality will be interpreted by different regulators. It would be useful to have more guidance in order for it to be implemented consistently throughout the EU.	See comment no. 76.
79.	CNA Insurance Companies	3.15	CNA is supportive of being afforded the flexibility to develop its own processes for the ORSA, tailored to fit into its organizational structure and risk management system.	Noted.
80.	CRO Forum	3.15	Our interpretation of the text is that the objective aims at ensuring that undertakings address proportionality and sufficiently document the rationale for the use of the	Correct.

			proportionality principles within the ORSA processes.	
81.	ECIROA	3.15	These guidelines do not explain how the proportionality principle will be applied by the regulator – how it will apply to each guideline.	See comment no. 76.
82.	CEA	3.15	Please refer to general comments and paragraph 3.2 with regards to ‘substance over process’ and examples of best practice.	Noted.
83.	FEE	3.15	We recommend to specify the role and responsibility of actuarial functions and actuaries according to art. 48 of the Solvency II Directive, in order to resolve the issue of proportionality in relation to the ORSA process (according to art.45 (1) (a) and (2) of the Solvency II Directive).	EIOPA refers to the paper on the System of Governance.
84.	FRC	3.15	<p>Guideline 1 adds very little to Article 45(2) of the Directive. We therefore suggest it is amended to provide more guidance on what a proportionate response to the requirement to conduct an ORSA entails.</p> <p>Article 45(2) allows for the processes to assess the overall solvency needs to be « proportionate ». We accept that determining what is proportionate is a matter for judgement. The proposed guideline requires the use of « appropriate and adequate techniques to assess its overall solvency needs ». We consider that deciding what is « appropriate and adequate » will require similar judgement to deciding what is proportionate.</p> <p>The proposed guideline requires that the undertaking « should develop its own processes for the ORSA, tailored to fit into its organisational structure and risk management system ». We agree that the ORSA should reflect the nature of the undertaking and the risks it faces</p>	<p>See comment no. 76.</p> <p>Agree. But the element of judgement cannot be avoided.</p> <p>It is up to the undertakings how they develop their processes for the ORSA. The undertaking might outsource such processes but the responsibility for ensuring that the processes and</p>

			<p>but a proportionate response to article 45 might be to use an « off the peg » product suitably « tailored » to improve the fit. We therefore suggest that the proposed wording requiring development of processes might be disproportionate.</p> <p>For these reasons we consider this guideline needs amending.</p> <p>We agree that a guideline would be helpful for regulators and insurers on what is a proportionate response to the requirement to conduct an ORSA. It might be helpful to express such guidance in terms of the quantum of the undertaking's risk appetite. For example, if the undertaking's risk appetite is limited then work required to conduct the ORSA should also be limited.</p> <p>As a small point, is there any reason why the wording in article 45(2) of the Directive « the nature, scale, and complexity of the risks inherent in its business » is changed in the proposed guideline to « the nature, scale, and complexity of the risks inherent to the business »? In our experience of standard setting, we have found that consistency is important. We therefore suggest that, where possible, wording should be the same between the Directive, any relevant Level 2 Implementing Measures and Level 3 Guidelines in order to avoid confusion.</p>	<p>implementation meet the requirements sits firmly with the undertaking, i.e. the AMSB. Developing one's own processes can also cover tailoring an off the peg product to one's specific needs.</p> <p>"Risk appetite" or more specifically 'approved risk tolerance limits' is one of the factor to be taken into account for the purpose of the assessment of the overall solvency needs. Other factors are: risk profile and business strategy.</p> <p>EIOPA agrees in general. But considers the difference in this instance to be obviously irrelevant.</p>
85.	GNAIE	3.15	GNAIE supports EIOPA's overall conclusions that a company should develop its own processes for the ORSA, tailored to fit its organizational structure and risk management systems.	Noted.

86.	Groupe Consultatif	3.15	<p>The heading “Principle of proportionality” obscures the main purpose of this guideline which is to require undertakings to tailor their ORSA processes to their operational structure and risk management system.</p> <p>In order to ensure the ORSA is specific to each undertaking, the ORSA should take into consideration, not only the nature scale and complexity of the risks inherent to the business, but also :</p> <p>the recent and likely future stability of its business model;; and</p> <p>the quality and consistency of its financial performance.</p>	<p>EIOPA disagrees with the remark that the title obscures the purpose, but agrees to the rest of the comment.</p> <p>The first is indirectly included in the risks inherent to the business.</p>
87.	ILAG	3.15	We agree whole-heartedly with the principle of proportionality.	Noted.
88.	MACIF ŻYCIE TOWARZY STWO UBEZPIEC ZEŃ WZAJEMN YCH	3.15	Small insurers with a slight participation in the market could have doubts that without more details about principle of proportionality they could be constrained to convey much more documentations	That is not the intention, it is up to each undertaking to apply the principle of proportionality as they see fit, and subsequently argue their case with supervisors.
89.	MARSH Captive Solutions Group	3.15	<p>We view the application of the Principle of Proportionality as crucial for captives under the Solvency II regime and welcome the fact that the Principle is reiterated in this ORSA paper.</p> <p>We would encourage a consistent approach by EU Regulators to the application of the Principle of Proportionality concerning the ORSA process across the captive domiciles.</p>	<p>Noted.</p> <p>Agree. But there will be no formal harmonisation of the approach to captives or SMEs or any other “category” of special risk profile undertakings.</p>

90.	RSA Insurance Group	3.15	The heading "Principle of proportionality", obscures the main purpose of this guideline which is to require undertakings to tailor their ORSA processes to their operational structure and risk management system. A heading such as "Bespoke nature of the ORSA" would better indicate the purpose of this guideline.	See comment no. 86. Bespoke according to the risks is what proportionality is about.
IRSG	IRSG	3.16	We agree that the role of the AMSB is to perform and challenge the results of ORSA, also including the emerging results.	Noted
91.	AMICE	3.16	We suggest deleting the words "the undertaking should ensure that".	This is not an option as the Guideline would then have no addressee. See comment no. 94.
92.	Deloitte	3.16	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. 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".	See comments no. 94. EIOPA will clarify that approval of the AMSB is needed and has to be documented (the how of the documentation is up to the undertaking) No, this is subject to national law and not a matter of choice. The AMSB needs to be involved in every performance of an ORSA and the outcome of such an ORSA process.
93.	FEE	3.16	s. 3.16. The role and responsibility of AMSB should be specified.	See comment to no. 94.
94.	FRC	3.16	We suggest a more direct wording might be used. For	EIOPA agrees with the proposed

			<p>example ;</p> <p>« The administrative, management or supervisory body should take an active part in the ORSA process including steering how the assessment is to be performed and challenging its results. »</p> <p>This is consistent with other responsibilities of the administrative, management or supervisory body for example its responsibilities concerning an internal model in articles 116 and 120 of the Directive.</p> <p>We suggest that the word « including » is used as it does not limit the work that the administrative, management or supervisory body may choose to perform concerning the ORSA.</p> <p>Article 40 of the Directive places a responsibility on the administrative, management or supervisory body to ensure compliance with « the laws, regulations and administrative provisions adopted pursuant to [the Directive] ». As worded, the proposed guideline requires the administrative, management or supervisory body to ensure its own actions comply.</p>	<p>wording and has inserted this into the guidelines.</p> <p>EIOPA agrees to take away the wording “the undertaking should ensure” and directly use the AMSB as the addressee of this GL. Furthermore see comment above.</p>
95.	Ganado & Associates , Advocates	3.16	Please see comment to para 3.6 on the responsibility of the directors to challenge the results of the ORSA.	Noted.
96.	KPMG ELLP	3.16	Although potentially challenging, regulators may need to consider the behaviours or ethics of a company/group in	Agree. This will influence the risk situation and

			<p>order to properly review the ORSA Report. Typically, a firm's culture has not been the remit of regulation, but it is hard to argue that behavioural issues were not deeply rooted in many of the causes of the economic crisis.</p> <p>A company's culture affects leadership and strategy of the firm, and ultimately shapes decision making. Excessive compensation can incentivise risk taking, so remuneration also needs to be considered. Examining ways to capture such information within the ORSA processes may be worthwhile.</p>	<p>thus be taken into account.</p> <p>Remuneration issues are dealt with in the paper on governance, but EIOPA agrees it should also be considered in the context of the ORSA.</p>
IRSG	IRSG	3.17	<p>Is it really requested by Article 45 para 2 Solvency II to have an internal report as well as a supervisory report? 4.16 seems to suggest, that only one report is produced covering internal purposes as well as supervisory needs.</p> <p>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 serve supervisory needs.</p> <p>It is important that the ORSA process is not made too burdensome and costly for smaller undertakings and one report would be a proportionate approach.</p>	<p>The undertaking will be required to decide whether the internal report is suitable for the purposes of insurance supervision as well. Every undertaking, not just smaller ones, can have only one report that serves for internal and external reporting purposes provided that it appropriately takes into account supervisory needs.</p>
97.	Association of British Insurers (ABI)	3.17	<p>We welcome the potential distinctions made in this report between the ORSA supervisory report and ORSA internal report, while noting (in paragraph 4.16) that the internal report may be submitted for supervisory purposes if it contains appropriate detail. This allows firms more flexibility in developing an internal report that meets the needs of the Administrative, Management or Supervisory Board (AMSB). Further guidance on the requirements for the supervisory report may be helpful as long as such guidance does not amount to the specification of a template.</p>	<p>Noted.</p> <p>Requirements of the supervisory report are addressed in Level 2.</p>

			<p>Our understanding is that the internal report on ORSA – if appropriately compiled – could also cover a certain amount of the material required to form an adequate record of each ORSA process and also be shared with the supervisor, thus eliminating the potential for unnecessary duplication of documentation; whether or not to do this is a decision best left to insurers. This is logical as supervisors will find it difficult to assess how an insurer is using its ORSA if a significantly different report is required to be produced for passing to regulators, as it will not – by definition – be the report being used for analysis and decision-making within the insurer.</p>	<p>EIOPA does not expect significantly different reports. Both reports are about the same assessment, so they can differ in scope and level of detail but not in outcome.</p>
98.	CNA Insurance Companies	3.17	<p>This paragraph introduces the concept of an “ORSA Supervisory Report”. We believe that the introduction of a new, separate stand alone ORSA report is largely redundant to the already extensive reporting requirements outlined in Pillar III. We believe no additional external ORSA reporting requirement should be required given the other components of Pillar III under Solvency II are more than sufficient; however, if external ORSA reporting is required, one of the following two options would be preferable: 1) The internal ORSA reporting to the Board / Risk Committee be deemed sufficient for regulatory purposes, or 2) Any required external ORSA reporting be subsumed in the Regular Supervisory Report.</p>	<p>The reporting requirement is established in the Directive, article 35 and in Level 2.</p> <p>1) That could be the case if the report is suited for supervisory purposes</p> <p>2) The reporting on the ORSA to be included in the Regular Supervisory Report will be different from the ORSA supervisory report in that the latter is about outcome whereas the former is about how the ORSA is performed.</p>
99.	CRO Forum	3.17	<p>Undertakings may use ‘policy’ in a very specific context, and therefore, should be allowed discretion on the format and naming convention for the (set of) document(s) that allow them to define and operate their ORSA process, as long as it is fit for purposes. We recommend accordingly to explicitly broaden the reference to the requirement to have an ORSA policy as per Guideline 4.</p> <p>The concept of own assessment in the ORSA needs to be</p>	<p>Agree. The statement is correct but EIOPA has to apply the proper Solvency II terminology according to which the document is the ORSA policy.</p> <p>Agree. There is no requirement to the</p>

			<p>recognised in these guidelines to help with good implementation: the ORSA documentation and reporting need ultimately to reflect companies' "Own" risk and solvency assessment. We therefore also expect the ORSA regulatory report to be an undertaking "own" report rather than a document which structure would be standardised by the regulator. As long as not definitive and conclusive, clarifications in the form of examples about the supervisors' expectations in terms of the content of the ORSA supervisory report contents would be useful.</p>	<p>structure of the report to supervisors, but it must be fit for purpose and not a mere blueprint of internal documentation from the process.</p>
100.	Deloitte	3.17	<p>Comment:</p> <p>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).</p> <p>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).</p> <p>We think that producing a specific reporting about the</p>	<p>Agree. As long as it is fit for purpose.</p> <p>It is the undertaking`s option whether to include reporting on the ORSA in the RSR or in a separate report. The RSR will also contain ORSA information according to Level 2 requirements but this is general information about the ORSA as an assessment process not about the outcome of individual ORSAs.</p>

			<p>ORSA and also including the same information in the RSR could be too burdensome, therefore these two points could be clarified, 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"> <input type="checkbox"/> Executive summary <input type="checkbox"/> Assessment of the risk management system <input type="checkbox"/> Assessment of current risk profile and solvency position <input type="checkbox"/> Assessment of the forecast risk profile and solvency positions <input type="checkbox"/> Key events and changes since the last ORSA. <p>We also believe it is not clear what is meant by “each ORSA process” 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>	<p>It is up to the undertaking to determine the how to comply with the ORSA reporting requirements thereby enabling the supervisory authority in its assessment of compliance with the ORSA requirements. So, the report should at a minimum be compliant with the ORSA report (L2) and should demonstrate compliance with article 45 of Directive 2009/138/EC.</p> <p>EIOPA deleted the term “process” throughout the paper.</p>
101.	ECIROA	3.17	<p>For smaller undertakings, can the ORSA process record be used as an ORSA supervisory report? The process record of a Captive’s ORSA will be very simple, therefore it could be used as an internal report – could it also be used as a supervisory report (regarding the principle of proportionality)?</p>	<p>A pure record of the process is unlikely to be sufficient. The report must contain a minimum of assessments and evaluations of risks. The process record is also not suitable as an internal report.</p>

102.	CEA	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>ORSA Policy and Record of ORSA Process</p> <p>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>Internal Report and Supervisory Report</p> <p>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>	<p>Noted.</p> <p>This has been explained in the Cover Letter not through revision of the text.</p> <p>These are completely different things and so cannot be combined. The ORSA policy sets out how the ORSA is to be performed, the documentation of the process records the data that was used for the ORSA and how the performance was actually done.</p> <p>Agree, although the ultimate "determination" as to whether the report meets supervisory requirements lies with the supervisor.</p>
103.	EST	3.17	<p>We are of opinion that the detailed prescriptions on ORSA may expose the undertaking towards higher risks, mean higher costs and no real benefit. We propose to erase this Guideline and the articles, points related to it in the text below.</p>	<p>EIOPA disagrees. We cannot see how requirements on documentation can expose an undertaking to higher risk. Also the prescription is not very detailed and does not add to what is already implied by the requirements of Directive 2009/138/EC.</p>

104.	FEE	3.17	<p>d) ORSA Supervisory Report: We understand that the supervisory reporting regarding the ORSA outcome is no longer linked to the RSR. The timing of internal ORSA reporting within the financial year could therefore be defined by each undertaking (supervisory reporting 2 weeks after internal reporting). Is this correct and what does EIOPA consider an acceptable internal reporting timeframe? In our view the ORSA outcome should include sufficient model validation results. On the one hand, these analysis take some time. On the other hand, the presented figures should be up to date. Are you going to propose any guidance on this conflict of interest in relation to reporting timelines?</p>	<p>Agree.</p> <p>As the ORSA is supposed to serve as an important part of the undertaking's risk management system, it will be in the undertaking's interest that the data is as up to date as possible. We therefore consider that any extra guidance on time line is unnecessary.</p>
105.	Groupe Consultatif	3.17	<p>There is too much duplication in these requirements and with SFCR:</p> <ul style="list-style-type: none"> - an internal report on ORSA should be sufficient evidence of the record of each ORSA process;; - there should not be two levels of ORSA report, there should only be an internal document, shared with the supervisor. <p>We think that producing a specific reporting about the ORSA and also including the same information in the RSR could be too burdensome. Therefore we would appreciate to confirm that the internal ORSA report will be the only reporting to the Supervisor about the ORSA and to clarify links with the Pillar 3 reporting.</p>	<p>That could be the case, but not by default.</p> <p>Same answer, affirmative if the internal report is fit for supervisory purposes.</p> <p>Level 2 decrees otherwise, however the information in the RSR is quite different from the information in the ORSA supervisory report.</p>
106.	ILAG	3.17	<p>We suggest that documentation should also be proportionate. A large firm with 100000 employees scattered over 7 countries will require more formal and longer documentation than a firm employing 5 staff members only being present in 1 niche market.</p>	<p>There is no difference in "formality" and how copious the documentation has to be depends on the scope of the ORSA not on the number of employees or on whether the undertaking covers a niche market. Obviously the larger</p>

				undertaking in your example will have more to assess and therefore have more to document.
107.	IUA (International Underwriting Association of London)	3.17	The proposed guidelines indicate that the undertaking should have in place at least an ORSA policy, a record of each ORSA process, an internal report on the ORSA and an ORSA supervisory report. In our view, it is not appropriate that the guidelines should lay down so prescriptively what documents should be in place. It seems likely that there would be considerable scope for duplication between the various proposed documents. In addition, the need for a separate ORSA supervisory report is not justified. The function of the ORSA is to provide the management of the firm with an effective tool that can also be understood by the supervisor and other stakeholders. While it might be appropriate in some circumstances, a fixed requirement for a separate secondary ORSA supervisory report would expend resources unnecessarily and encourage emphasis on appearances rather than the substance of purposeful management.	There is no need for a separate supervisory report on the ORSA. It could be part of the RSR. Separate reporting was introduced as an option to accommodate undertakings who prefer to perform their ORSA disjointed from year end reporting. There is no requirement for a separate ORSA supervisory report. Undertakings may use their internal report provided this is fit-for-purpose.
108.	KPMG ELLP	3.17	d) ORSA Supervisory Report: We understand that the supervisory reporting regarding the ORSA may no longer be linked to the annual reporting cycle. If this is the final position when the rules become effective, then consideration needs to be given to the timing of ORSA reporting. Linking the reporting to supervisors to the timing of internal ORSA reporting is not helpful in our view, as firms have discretion on when to produce their internal report. It should also be recognised that since the ORSA is predominantly about systems and processes, these are on-going and do not occur at discrete points of time.	Correct. The ORSA is predominantly about assessments, not about systems and processes and definitely occurs at a discrete point in time. Within 2 weeks after the internal ORSA report has been signed off by the AMSB which is expected to happen without delay.

			We therefore believe it would be helpful to provide an indication fo where within a firm's annual business cycle (from initial business planning to annual reporting), supervisors would most like to receive the ORSA report.	
109.	Partnershi p Life Assurance Company Limited	3.17	As per 3.12 it would be helpful to have a definition at an early stage of the term 'ORSA supervisory report'.	The ORSA supervisory report is determined and defined at level 2.
IRSG	IRSG	3.18	We consider that the point c), information on "(ii) data quality requirements" should be suppressed as data quality issues are already adequately dealt in the Solvency II framework	As the data quality for the ORSA is supposed to be in line with the general data policy a reference to that policy is sufficient.
110.	AMICE	3.18	<p>As mentioned, we appreciate the intention by EIOPA to focus on the desired outcome of the ORSA process. This Guideline, however, clearly focuses on the methods and micromanages the process. This in contrast with par. 3.2.</p> <p>EIOPA justifies the requirement of a written ORSA policy (in par 4.13., 5.26, 5.36 and 5.48) with the fact that risk management includes the ORSA (according to Art. 45(1) L1).</p> <p>We question this conclusion and propose to eliminate the requirement for a self-standing ORSA policy document. In our view , EIOPA's own reasoning implies stringently that the ORSA policy may be part of the risk management policy according to Art. 41(3) L1. Through the wording of Art.45(1) L1, the ORSA is defined as an integral part of risk management, at the same level as the elements enumerated in Art. 44(2) letters (a) through (f). We conclude that the risk management policy whose contents is circumscribed in the last subparagraph of Art. 44(2) could include a section on the ORSA policy. In the case that EIOPA share this view, we suggest a clarification in the explanatory text on Guideline 3.</p>	<p>There is no requirement for a self-standing ORSA policy document.</p> <p>In the explanatory text 4.13 it is written that the undertakings have to develop an ORSA policy as part of the risk management policy.</p>

			<p>If still required, the ORSA policy as such should be limited to the issues under letters a and b, perhaps complemented by a policy statement on frequency and trigger events. We do not see a reason why methodological details have to be included in an ORSA policy. In particular, the requirement to include information on data quality requirements in the ORSA policy is for us unwarranted.</p> <p>We welcome the choice of words “consideration” (replacing “description”) of the link ... and “information” (replacing “details”) on ...</p> <p>See also our later comments on the frequency of the ORSA.</p>	<p>Insofar as the data quality for the ORSA is supposed to be in line with the general data policy a reference to that policy is sufficient.</p>
111.	Association of British Insurers (ABI)	3.18	<p>The ORSA policy should be principles-based and should not be expected to extensively list specific operational information or describe processes in significant levels of detail. Data quality requirements are dealt with elsewhere.</p> <p>It would be clearer in point (b) to substitute ‘risk appetite’ for ‘risk tolerance limits’.</p>	<p>Agree.</p> <p>This is not in line with Article 45 of Directive 2009/138/EC.</p>
112.	CRO Forum	3.18	<p>“ORSA Policy should contain information on....Data Quality requirements” – data quality is satisfactorily and explicitly covered elsewhere in the Solvency II framework (Level 2 Implementing measures) and is here duplicative. We recommended that this requirement is removed. It can be noted that disclosure practice (ORSA report and/or RSR) will include statement on the data quality used for the solvency assessment.</p> <p>We reiterate our view that flexibility shall be granted to undertakings to adopt the most appropriate format to define and document their ORSA, other than as part of the risk management policy. Also the listed items that the</p>	<p>Agree.</p> <p>See comment no. 99.</p>

			<p>'policy' is to cover is too prescriptive to respect the diversity and specificities of each undertaking's organisation and approach.</p> <p>As undertakings assess risk profile (in lieu of tolerance and limits) against the overall solvency needs, we suggest to remove the reference to tolerance in this sentence.</p>	Disagree. Risk tolerance limits follows from article 45 (1), second paragraph, under a.
113.	Deloitte	3.18	<p>Comment:</p> <p>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):</p> <p>"(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>	<p>Agree. This is of course possible.</p> <p>Agree.</p> <p>See comment no. 112.</p> <p>EIOPA agrees to include timing.</p>

114.	CEA	3.18	<input type="checkbox"/> Please refer to paragraph 3.17 for comments on the ORSA policy. <input type="checkbox"/>	Noted.
115.	FEE	3.18	The required contents of the ORSA policy contains several overlaps with other required written policies, e.g. Data Quality requirements are typically defined in a separate Data (Quality) Policy. In our view, companies should have the free choice in which written policy the contents is described as long as the requirements are met. The various written policies should be internally consistent.	Agree.
116.	FRC	3.18	From our experience of standard setting, we suggest that the cross reference to the guidelines established under « General Governance – Written policies » should explicitly refer to the relevant paragraph(s) once they are known to avoid any ambiguity.	The exact cross reference will be provided when the System of Governance guidelines are completed.
117.	Groupe Consultatif	3.18	Point c), information on “(ii) data quality requirements” should be suppressed as data quality issues are adequately dealt with elsewhere in the Solvency II framework	EIOPA will address this issue in the explanatory text and furthermore point out that this can also be dealt with by references to policies undertakings already have.
118.	KPMG ELLP	3.18	The contents of the ORSA policy as outlined overlaps with other required written policies. It would therefore be helpful to clarify that existing documents can be used to meet these requirements to avoid duplication.	Agree.
119.	Legal & General Group plc	3.18	It would be clearer in point (b) to substitute “risk appetite” for “risk tolerance limits”	See comment no. 111.
120.	MARSH Captive Solutions Group	3.18	3.13 c) (i) See 3.24 comment	Noted.
121.	Partnershi	3.18	The expectations for what should be covered in the ORSA	EIOPA disagrees. The information on

	p Life Assurance Company Limited		policy appear more granular than would be expected from a policy. For example the detail of how stress and scenario tests are to be performed could be considered to be more relevant to a process document rather than the policy itself which would establish the high level principles under which the ORSA was conducted.	stress and scenario tests does not call for very detailed descriptions.
IRSG	IRSG	3.19	This general rule regarding the documentation does not add any value compared to Guideline 3 and the explanatory text of the Guideline 5 is too prescriptive. Therefore, we suggest to delete Guideline 5.	EIOPA considers guideline 5 to "explain" what is required as the record of each ORSA as set out in the documentation requirements in guideline 3. EIOPA does not consider the explanatory text to be prescriptive at all as it just mentions the issues that have to be touched upon. From the purpose of the documentation it is hardly possible to argue that any of these points could be left out.
123.	Deloitte	3.19	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.	Agree Guidelines 3; 4; 5 and their Explanatory Text clarify this issue.
124.	CEA	3.19	<input type="checkbox"/> Please refer to paragraph 3.17 for comments on the record of ORSA results.	Noted.
125.	FRC	3.19	We suggest that this guideline as currently written might be deleted as Guideline 3 already requires that the undertaking should have in place documentation concerning a « record of each ORSA process »	This is a specification of parts of Guideline 3 as with the ORSA policy.

			<p>(paragraph 3.17 (b)).</p> <p>More generally, we are concerned that these guidelines do not make clear what the ORSA is.</p> <p>Guideline 1 implies the ORSA is a number of processes. This is supported by Guideline 11 which says that the ORSA includes procedures that enable enable the undertaking to monitor its compliance with regulatory capital requirements on a continuous basis. However, Guidelines 5 and 6 imply the ORSA is a single process with a single outcome.</p> <p>We suggest that it might be helpful if this lack of clarity is resolved.</p>	<p>That is not the intention of the Guidelines and Recommendations.</p> <p>EIOPA has deleted the word “process” in record of each ORSA process” for clarification.</p>
126.	Groupe Consultatif	3.19	As the ORSA process interacts with other business processes (e.g. strategic planning or risk management), the evidence and documentation from these processes should be accepted for ORSA to avoid additional efforts.	EIOPA considers this to be obvious but the issue has been clarified.
127.	MACIF ŻYCIE TOWARZY STWO UBEZPIEC ZEŃ WZAJEMN YCH	3.19	Will be there more advices or list of required documentations ?	No.
IRSG	IRSG	3.20	We agree with this guideline and we consider that the emphasis should be on the implications for business policies.	Noted.
128.	AXERIA	3.20	« the ORSA should be communicated to all staff for whom the information is relevant ” ; it would be also useful to precise:	The wording is used as it cannot be generalised for whom the information is relevant. The undertaking has to determine for whom it is relevant.

			<input type="checkbox"/> if it is necessary to communicate the internal report on ORSA to the Board members, <input type="checkbox"/> who is the exactly the "staff" population : only employees ? All of the employees of the insurance company? <input type="checkbox"/> Is it the staff of the solo entity or does it also include the staff of the different entities of the Group ORSA?	<p>Definitely, they have to sign off the ORSA.</p> <p>The information is unlikely to be relevant for all employees and other staff.</p> <p>It may include senior management from other group entities as well.</p>
129.	CRO Forum	3.20	The ORSA includes information from other reports produced as part of the ORSA processes, therefore, there may be duplication in cascading the ORSA report. Many of the actions included would have been communicated already.	EIOPA would not expect the internal report to be long on processes.
130.	Deloitte	3.20	<p>Comment:</p> <p>The requirement that 'information on the results and conclusions regarding the ORSA should be communicated to all staff for whom the information is relevant' 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:</p> <p>"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</p>	Of course it could be a subset. EIOPA does not consider that this needs clarification.

			tasks, should be communicated to all staff concerned.”	
131.	ECIROA	3.20	As there is usually no staff in captive companies, and the only managers are the board members (who take an active role on the ORSA process), is the internal report on ORSA necessary for captives? In this case, it is redundant with the record of each ORSA process.	<p>Yes, it is necessary and it has to be signed off by the members of the AMSB.</p> <p>The record of the ORSA process is quite different from an internal report in that it enables the reader to reconstruct the ORSA. The internal report is not expected to provide that. The record would be expected to contain much more information than the internal report.</p>
132.	FRC	3.20	<p>We support the intention that the administrative, management or supervisory body should take an active role in the ORSA process. Similarly it is important that other relevant staff have information which enables them to fulfil their roles concerning the risk management of the business effectively.</p> <p>High quality reporting of the results of the ORSA will be important in facilitating this active engagement. The standard we have developed for reporting of actuarial work includes principles supporting the objective that reports contain sufficient information for users to judge the relevance, and understand the implications, of their contents. All to be presented in a clear and comprehensible manner.</p> <p>We suggest that EIOPA consider extending this guideline to ensure the quality of reporting.</p>	<p>Noted.</p> <p>Agree. That is already covered by general governance requirements and thus not specifically mentioned with regard to ORSA.</p>
133.	AMICE	3.21	The possibility to use other valuation methods that better	The starting point is an obligation to

			reflect the characteristics of the business is appreciated. However, the ensuing obligations are regarded as too onerous. Particularly in the view of proportionality, it should suffice to describe the differences to the Solvency II basis and to assess why the different methods used are appropriate.	assess overall solvency needs using valuation methods as required under Solvency II. The use of any other valuation method should therefore be explained in sufficient detail in order that the supervisory authority is able to assess that the chosen method better fits the overall solvency needs assessment taking into account the specific risk profile, risk tolerance limits and business strategy of the undertaking.
134.	Association of British Insurers (ABI)	3.21	This guideline implies that the use of Solvency II valuation bases should be the default approach for the ORSA and that any deviation should be justified. This amounts to an incentive to shift firms towards use of the Solvency II valuation bases. To give a more appropriate emphasis, the guideline could be reworded to read: 'Undertakings may apply recognition and valuation bases different from the Solvency II basis, where the alternative basis reflects better the value to the business of the assets and liabilities'.	See comment no. 133.
135.	CNA Insurance Companies	3.21	It is unclear as to how the justification of using different recognition and valuation bases would apply to third country-based groups. In the case of an equivalent jurisdiction, CNA believes the use of the equivalent jurisdiction's recognition and valuation bases would be appropriate.	See answer 75
136.	CRO Forum	3.21	We appreciate that some elements of the own assessment may differ from the Pillar 1 requirements (including basis for valuation from internal models or processes/methodologies that may be used to better reflect the nature, scale, and complexity of the business). However, the explanations required in Guideline 7 are too onerous. It would be more appropriate for companies to	Noted. Agreed, explanatory text added for

			explain the differences in approaches taken in the ORSA assessment and the Solvency II Pillar I assessment. Companies with an approved internal model have explained most of these aspects in the context of the internal model approval and model change process including the demonstration of the use test. Our understanding is that these processes can be used as part of the ORSA and do not need to be duplicated.	internal model users.
137.	CEA	3.21	We appreciate that other valuation bases may be used which better reflect the nature, scale, and complexity of the business.	Noted.
138.	GNAIE	3.21	GNAIE would like to raise a question as to whether this requirement to justify the use of a different recognition and valuation bases would apply in the case of a group based in a third country which was equivalent under Article 260 for group supervision. It would seem that in cases of such equivalence, the ORSA would be performed using the valuation system of the equivalent third country. Would the justification described in this section have to be performed for the European subsidiary of the third country group if the group wide ORSA were done on the valuation basis required by the equivalence third country supervisor?	See answer 75
139.	Groupe Consultatif	3.21	The wording implies that the use of Solvency II valuation bases should be the default approach for the ORSA and creates an unwarranted discouragement for undertakings wishing to adjust valuations on to a more economic basis. To give the correct emphasis, the guideline should be reworded to read: ""Undertakings may apply recognition and valuation bases different from the Solvency II basis where the alternative basis reflects better the value to the business of the assets and liabilities."".	See comment no. 133.
140.	IUA	3.21	We suggest that the proposed requirements are	See comment 133.

	(International Underwriting Association of London)		excessive and that it should be sufficient for the undertaking to set out in the ORSA its approach to valuation and recognition and to outline any variations from the Solvency II standard and and resulting differences in outcome.	
141.	KPMG ELLP	3.21	<p>There are concerns that some of the outstanding pillar 1 issues may be resolved in a manner that many believe is not a true economic approach. In that case, such firms may continue to use their own economic capital basis internally to run their business and in the ORSA. In this situation, how much explanation would be required on the differences in recognition and valuation bases?</p> <p>Formalising links between insurers' strategic objectives and options with risk appetite, and establishing formal reporting mechanisms is a practical policy option available to supervisors. Extending such arrangements, such as to instances of acquisitions and mergers, may also assist regulators to better assess the systemic relevance of firms, as well as enabling insurers to articulate impacts to the business model of such changes. These requirements could usefully form part of the ORSA set of requirements expected of insurers.</p>	<p>Agree. We will expect any material acquisition or merger to result in a change of risk profile which will warrant a new ORSA (non-regular ORSA). As part of the requirement in Article 45(4) to take the ORSA into account in the strategic decisions on an ongoing basis, undertakings would be expected to assess the impact of M & As through the ORSA before committing themselves.</p>
142.	RSA Insurance Group	3.21	<p>The wording implies that the use of Solvency II valuation bases should be the default approach for the ORSA and creates an unwarranted discouragement for undertakings wishing to adjust valuations on to a more economic basis. To give the correct emphasis, the guideline should be reworded to read: "Undertakings may apply recognition and valuation bases different from the Solvency II basis where the alternative basis reflects better the value to the business of the assets and liabilities."</p>	<p>See comment no. 133.</p>

143.	Association of British Insurers (ABI)	3.22	In-line with the principles of materiality and proportionality, we suggest that this guideline should clarify that a quantitative assessment of different recognition and valuation bases should only be required if they impact overall solvency needs.	It is not necessary to add the words, if something has no impact on the assessment of OSN it does not need to be explained.
144.	CRO Forum	3.22	It should especially be noted that not all risks included in the "overall solvency needs" need be quantified. Risks can also be assessed and managed on different terms than with capital assessment. We require clarification on how this paragraph applies to companies with an approved internal model. A continuous parallel calculation of the standard formula is burdensome and meaningless.	The guideline is about overall solvency needs assessment. This is by nature quantitative and qualitative.
145.	Deloitte	3.22	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?	It requires an estimation of the difference in the overall solvency needs. See comment no. 133.
146.	CEA	3.22		
147.	Groupe Consultatif	3.22	The words ""that may be used for assessing overall solvency needs"" should be added at the end of the guidelines. Not all recognition bases are relevant in the context of solvency (e.g. IFRS profits). The additional words will clarify the requirements.	It is not about the question whether a recognition or valuation basis is relevant in the Solvency II context but whether the undertaking decides that such a valuation better fits the overall solvency needs assessment.
148.	IUA	3.22	We wish to point out that not all the relevant risks will be	EIOPA is aware of that.

	(International Underwriting Association of London)		quantifiable according to consistent and recognised standards.	
IRSG	IRSG	3.23	3.22 and 3.23 highlight quantitative terms. Article 45 para 7 Solvency II states in absolute clear terms that ORSA does not serve to calculate a capital requirement. Accordingly, it would seem appropriate for the guidelines to emphasize that any ORSA figure will not replace the SCR calculation and that there will not be any automatic capital add-ons.	EIOPA disagrees that further emphasis is needed. Article 45(7) of the Directive is perfectly clear on this point which is why it is not an issue for the guidelines and recommendations.
149.	AMICE	3.23	Not all risks from which an overall solvency need arises are quantifiable. We suggest the following wording: “... in quantitative terms, where possible, and complement the quantification by a qualitative description of the risks, including the non-quantifiable ones.”	EIOPA agrees and have made amendments accordingly in the guideline.
150.	Deloitte	3.23	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.	See comment no.149.
151.	Groupe Consultatif	3.23	Amend the wording to « The undertaking should express the overall solvency needs in quantitative terms and complement the quantification by a qualitative description of the material sources of the risks. »	See comment no. 149. The description of the identified risks includes their material sources.
152.	AMICE	3.24	We preferred the text of Guideline 9 of the December 2010 draft which talked about “... provid(ing) an adequate basis for risk and capital management purposes” (and not only for the assessment of overall solvency needs).	Noted. The change was on account of this being about overall solvency needs specifically.

153.	Groupe Consultatif	3.24	<p>It is not necessary to subject every risk to a wide range of stress tests. Amend the wording to « The undertaking should subject the material risks to a sufficiently wide range of stress test/scenario analyses to provide an adequate basis for the assessment of the overall solvency needs with Solvency II confidence standards ». It could also be considered whether “stress test/scenario” could be omitted as the list is not exhaustive. See also 4.3.</p>	<p>In our opinion that is implicit (proportionality/materiality). Undertakings need only be able to demonstrate that the stress testing/scenario analyses they performed provide an adequate basis for the overall solvency needs assessment. This does not preclude that only certain risks need to be tested.</p> <p>EIOPA does not consider a change to “material” helpful as there are different interpretations of this term. But “where appropriate” is included instead.</p>
154.	KPMG ELLP	3.24	<p>Would EIOPA consider for the ORSA that it would be sufficient for the firm to leverage off the stress/scenario analyses undertaken for their internal model ?</p>	<p>EIOPA has changed the explanatory text accordingly, to make the issue more clear.</p>
155.	MARSH Captive Solutions Group	3.24	<p>Although specific guidelines are not given in this paper, it is noted that undertakings are expected to perform appropriate stress testing/ scenario analyses when assessing the overall solvency needs of the undertaking.</p> <p>We believe that any stress testing/ scenario analyses for captive undertakings should only be done on a simplified basis that takes the nature, scale and complexity of the captive business model into consideration.</p> <p>Our thoughts are in line with the proposals mentioned in paragraphs 4.6 & 4.7 of this paper and would encourage a consistent approach by regulators to this matter across the captive domiciles.</p>	<p>The business model is not subject to proportionality but proportionality applies to the risks of the undertaking. Whether simplified approaches suffice depends on the risks the undertaking has identified.</p>

IRSG	IRSG	3.25	<p>We agree that an insurer should do forward-looking analyses to demonstrate its ability to manage risk over the longer term.</p> <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>	<p>Noted.</p> <p>EIOPA has changed the text accordingly.</p>
156.	AMICE	3.25	<p>Long-term projections of the overall solvency needs according to the business plan of the undertaking can be extremely onerous for smaller undertakings, and also in the case (regardless of undertaking size) of long-tail business, both in life and non-life. We believe that the elements of flexibility indicated in par. 4.35 do not suffice to provide the opportunity for applying appropriate proportionality.</p> <p>Applying proportionality is a task for the undertaking itself (see our comments on par. 3.2). It still would be helpful if EIOPA could clarify ex ante that – in line with its assessment of the nature, scope and complexity of its risks – the undertaking may use simplified long-term projections and combine calculated capital requirements over a shorter time horizon with qualitative assessments over longer periods, based on multi-year developments.</p>	<p>EIOPA believes that it is a sound requirement that a long term business plan also takes into considerations potential effects on the capital situation for an undertaking. How proportionality comes into play will be an ad-hoc assessment.</p> <p>Proportionality does not only apply to the methods used for determining overall solvency needs for a one-year-horizon. Of course EIOPA would expect an undertaking which uses less complex methods for the overall solvency needs assessment to do so for the projected overall solvency needs assessment as well.</p>
157.	CRO Forum	3.25	<p>Forward looking information will need to be considered by the regulator in context and should not be used as a measure for compliance of an undertaking and is used as an internal measure only.</p> <p>We do not understand the second part of the sentence, in particular its objective: ‘forward looking and at least cover separately each year of the business planning</p>	<p>Agree.</p> <p>EIOPA agrees and has changed the text.</p>

			period'. Suggested rephrasing by simplifying to: '...forward looking'.	
158.	CEA	3.25	<p>We agree that an insurer should do forward-looking analyses to demonstrate its ability to manage risk over the longer term.</p> <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>	<p>Noted.</p> <p>See comment no. 157, first resolution.</p>
159.	Groupe Consultatif	3.25	<p>When assessing potential shocks to the planning period, companies will be looking at say 50 or 100 or 200 year return period risks. Rather than assign them to individual years, it may be better to say « what if they happened some time in the planning period ». Therefore amend the wording to «The undertaking's assessment of the overall solvency needs should be forward-looking, cover the whole of the business planning period, and if appropriate the separate years of the planning period ».</p>	<p>See comment no. 157, first resolution.</p>
160.	IUA (International Underwriting Association of London)	3.25	<p>The consultation proposes that the assessment of overall solvency needs should be forward-looking and cover separately each year of the business planning period. In our view, undertakings should be permitted to make their projections in the manner that they find most effective. In some cases it may be appropriate and proportionate to make year-by-year projections and in others to make projections over a period of several years. In either case, it will be important to reflect the importance of a variety of variables and not to seek the same degree of</p>	<p>See comments no. 157.</p> <p>Obviously.</p>

			granularity and certainty as is required for a projection one-year ahead.	
161.	MACIF ŻYCIE TOWARZY STWO UBEZPIEC ZEŃ WZAJEMN YCH	3.25	Long-term projections for risks with insignificant influence into activity could be onerous for smaller insurers. What about principle of proportionality ?	Insignificant risks should by definition not influence long term projections.
162.	Partnershi p Life Assurance Company Limited	3.25	It would be helpful to have some comment as to the amount of detail expected in respect of the assessment of overall solvency needs as you go out through the business planning period. The expectation is that less detail and relevance should be extended to periods at the outer limits of the planning period.	EIOPA considers it to be obvious that the undertaking should take into account the information it uses for the business planning as well as the business planning itself (which is expected to take into account expected relevant external factors). We would not necessarily agree that diminishing relevance should be ascribed to the time at the end of the planning period. If something with material impact is planned for this time or expected to happen this should be reflected in the ORSA.
163.	RSA Insurance Group	3.25	This should be reworded to clarify that the assessment should cover the whole of the planning period rather than implying that there should be a separate assessment for each year.	See comment no. 157.
164.	AMICE	3.26	ORSA is a process and, as we have positively commented, the aim is obviously to put results over form. We find therefore that this guideline is too descriptive because it requires certain procedures rather than requiring an assessment. It should be clear that "potential future changes" need	EIOPA redrafted the guideline. Undertakings should be aware of when own fund items will no longer be available to cover solvency capital requirements (due to redemption at call dates or maturity) ahead of the event

			only be anticipated for the business planning period. As we comment under 3.25., even this is challenging or partially outright impossible in the case of long-tail business.	happening. This should be planned for in their capital management plan, which should have a multi-year outlook.
165.	CRO Forum	3.26	We would welcome that more clarity is provided under a) particularly with regards to the expectations implied by the language “taking into account potential future changes in the risk profile and considering stressed situations” when monitoring compliance on a continuous basis. The current wording will lead to a variety of interpretations across the industry and regulators. We would recommend that this requirement is specifically related to the assessment of the projected business plan.	EIOPA agrees that the guideline was too focussed on process/procedure. The guideline was redrafted to focus on the assessment that is required, and to place processes/procedures in this context . EIOPA considers it to be clear that undertakings should be aware of when own fund items will no longer be available to cover solvency requirements (due to redemption at call dates or maturity) ahead of the event happening and this should be planned for in their capital management plan.
166.	Deloitte	3.26	Comment: The requirement “to monitor and manage the quality and loss absorbing capacity of its own funds” 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). Proposed new wording (change is highlighted in green): “3.26. The undertaking should ensure that the ORSA includes: a) (...)	See comment no. 165, second resolution. Undertakings may choose to put such contingency planning in but this would be at their discretion. EIOPA considers that putting such detail into the guidelines would be too prescriptive.

			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.”	
167.	CEA	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>	See comment no. 165, second resolution.
168.	Groupe Consultatif	3.26	See 4.3.	<p>Please see comment 262.</p> <p>This follows from article 45 (1) 8b) where it says that the ORSA should include an assessment of the continuous compliance with the SCR calculation.</p>
169.	IUA (International Underwriting Association of London)	3.26	In our view, the stress placed by the consultation on processes is not appropriate. We believe that the emphasis under the ORSA guidelines should be on the need for the ORSA to assess the business and its resources, not on the processes for doing so.	See comment no. 165, second resolution.
170.	Partnership	3.26	The text indicates that the ORSA should include detail of	The undertaking should provide

	p Life Assurance Company Limited		how the solvency position of the business is monitored across the whole business planning period. How much detail is expected in relation to the processes established to monitor the solvency position ?	sufficient information to demonstrate that their processes are thorough and robust – this will include detailing the methods and main assumptions.
171.	RSA Insurance Group	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 to monitor compliance with the capital requirements.</p> <p>Clearly undertakings have to have such procedures in place, but these do not naturally fit with the overall purpose of the ORSA. On the other hand, it appears natural that the ORSA should consider the extent to which the undertaking's resources are sufficient to cover technical provisions and capital requirements over the planning period. The guideline should clarify how the requirement in Article 45(1)(b) fits into the ORSA.</p>	See comment no. 165, second resolution.
IRSG	IRSG	3.27	<p>New wording proposal :</p> <p>As part of the ORSA process the undertaking should ensure that the actuarial function provides input concerning the capacity continuously to comply with the requirements regarding the calculation of technical provisions</p>	Disagree with the proposed wording. EIOPA considers that there needs to be focus on what risks arise from the calculation.
172.	CRO Forum	3.27	We believe that this disposition is duplicative and should not be requirement under ORSA - this is dealt with under the Level 1 text and Level 2 on actuarial function and report of the actuarial function.	EIOPA disagrees. This is about continuous compliance and not about current compliance.
173.	CEA	3.27	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	According to Article 45 of Directive 2009/138/EC the requirement that the compliance is on a continuous basis applies to technical provisions as well.

			calculation.	
174.	Groupe Consultatif	3.27	The actuarial function should provide input on the compliance with the requirements regarding the calculation of technical provisions and on the risks arising from this calculation. It would be appropriate not to ask the actuarial function for input on the risks arising from calculation but to provide input on the adequacy of the modelling of the risks underlying this calculation (including data policy and management rules) capital requirements.	The guideline is about technical provisions not capital requirements. The input on the risks arising from the calculation of technical provisions is necessary as the requirement is on continuous compliance with technical provisions requirements.
175.	KPMG ELLP	3.27	The actuarial function is the only function mentioned in this paper. Guidance would be helpful setting out the role and responsibilities expected of the other functions (especially risk management and internal audit).	This is up to the undertaking to decide in line with the role assigned to these functions under Directive 2009/138/EC.
IRSG	IRSG	3.28	New wording proposal : The undertaking may assess deviations between its risk profile and the profile set underlying the SCR standard formula calculation on a qualitative basis. If this assessment indicates that the undertaking's risk profile deviates materially from the profile set underlying the SCR calculation the undertaking should quantify the approximate significance of the deviation.	Disagree We consider the proposed change to make the guideline less clear and more subject to interpretation.
176.	AMICE	3.28	As commented under 3.23., not all risks are quantifiable. Likewise, there are also deviations that are not quantifiable, even if they may be "material". Par 4.50 explains that "information on the assumptions on which the SCR calculation is based will be made available to undertakings."	This guideline is about assessment of deviations from the SCR calculation. The SCR calculation by definition covers quantifiable risks (article 101, section 3, of the Directive). The guideline says that this assessment can in the first place be performed qualitatively. Noted.

			<p>We would like to emphasise that it is essential for undertakings to be informed of these assumptions as soon as possible. Following suggestions from the European Commission, EIOPA, and national supervisors, AMICE members are already carrying out test-ORSAs. The closer these tests can be carried out to future reality, the better prepared the undertakings will be for the real case.</p>	
177.	BW	3.28	<p>We are in agreement that it is important to understand how the risks of the firm deviate from the standard formula. However we are concern that significant deviations will be used by the regulator to push partial or internal models and may not take into account the principle of proportionality.</p>	<p>If the deviations are significant, the supervisory authority is required to consider whether a (partial) internal model should be used.</p>
178.	CRO Forum	3.28	<p>We would prefer to change the language to “assess the significance of the deviation”, as this would leave more flexibility to the undertaking to apply an approach suitable to its needs and fit for purpose. Our interpretation is that this requirement is covered by the process for internal model approval and the model change process for companies with an approved internal model.</p>	<p>This interpretation is not correct. This is about, but not only, the differences between the internal model used for internal and regulatory purposes in general. An individual performance for each ORSA is required, see Article 45(3) of Directive 2009/138/EC.</p>
179.	Deloitte	3.28	<p>Comment:</p> <p>If the SCR is based on an internal model, then this model should also be used in ORSA.</p> <p>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>	<p>Agree.</p> <p>Noted.</p>

180.	CEA	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>	<p>Correct, the ORSA does not serve to calculate a capital requirement. This guideline uses the terminology of article 45 (1) (c) of the Directive which requires an assessment of any significant deviation of the risk profile from the assumptions underlying the SCR calculation.</p> <p>Article 45 (7), first and second sentence of Directive 2009/138/EC only means that the ORSA outcome does not directly translate into a regulatory capital requirement.</p>
181.	Ganado & Associates , Advocates	3.28	<p>The Guidelines provide that any material deviations from assumptions underlying the SCR should be quantified. In this regard, we feel that further guidance on the meaning of ‘materiality’ is needed.</p>	<p>The deviation is significant if it should be taken into account in the SCR calculation in order to capture all quantifiable risks appropriately. Undertakings need to think about this for themselves and provide the rationale if they consider the deviation to be non-significant.</p>
182.	GNAIE	3.28	<p>Although the ORSA should be performed annually, the substance of thereport may not change materially every year. Does EIOPA make any distinction between documentation which is filed in the intial year of the ORSA and in subsequent updates where changes are not extensive?</p>	<p>No. The undertaking’s reporting must be understandable without reference to past submissions. But updating is no big deal as the undertaking only has to change what needs to be changed and not to rewrite the submission</p>

				completely every year.
183.	Groupe Consultatif	3.28	Further guidance would be welcome concerning how sovereign debt should be dealt with. In our understanding, significant discrepancies will systematically appear on this particular area of risks when comparing an undertaking's risk profile and the assumptions underlying the SCR calculation.	These risks should be captured in the overall solvency needs assessment.
184.	ILAG	3.28	We agree strongly with this requirement especially the use of the word 'material'.	Noted.
185.	KPMG ELLP	3.28	How does this guideline apply to firms with an approved internal model? A separate section on the expectations for firms not having a full approved internal model would be useful.	The undertaking has to assess the assumptions underlying its calculation of the SCR according to its internal model
186.	AMICE	3.29	With a view to Art 45 L1, we suggest clarifying that this Guideline addresses the link to the strategic management process. In this context, we argue that product development and design should be left out of the list of areas where ORSA results should be directly taken into account.	Noted.
187.	CRO Forum	3.29	It would be useful to have more clarification on what ORSA refers to in this provision (i.e. ORSA process, ORSA report). These requirements are more prescriptive and thus more onerous than the requirements of the use test for internal model users. We ask for clarification on the relation between Article 120 and guideline 3.29.	The relevant insights from the ORSA should of course be included in the ORSA reports (internal and external). Noted. EIOPA has included clarification for internal model users.

188.	Deloitte	3.29	<p>Proposed new wording (change is highlighted in green):</p> <p>“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:</p> <p>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):</p> <p>“(…) 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>	<p>This is already sufficiently covered in Article 45(4) of Directive 2009/138/EC.</p> <p>This is about the link to the strategic management and decision-making framework which is not to say that taking into account insights in short- and medium term capital management would not be useful as well.</p>
189.	FEE	3.29	<p>There should be a feedback loop between e.g. strategic planning and control process as well as the ORSA because planned figures are necessary for the required projections (forward looking perspective in line with business planning). On the other hand the projected solvency positions should be consistent with the risk strategy and, therefore, also impact business decisions.</p>	<p>EIOPA does not consider “feedback loop” to be the right term here. But what you say is already implied.</p>
190.	Groupe Consultatif	3.29	<p>The wording should be updated: “The undertaking should take, where appropriate, the results of the ORSA and the insights gained in the process into account at least for the system of governance including long term</p>	<p>EIOPA disagrees. “Taking into account” does not necessarily mean that the result is that something should be changed. A properly conducted ORSA</p>

			capital management, business planning and produce development and design.	will always give insights either way that are relevant for the areas mentioned.
191.	KPMG ELLP	3.29	The ORSA should include several feedback loops to ensure information remains up to date and relevant. Projected solvency positions also need to be consistent with the risk strategy and business plans.	See comment no. 189.
IRSG	IRSG	3.30	Delete reference to higher frequency review: the possible need for higher frequency is dealt in Guideline 4 on ORSA Policy.	Disagree. Guideline 4 only states that the ORSA policy has to say something about the frequency of the regular ORSA and not about what to take into account in deciding on the frequency or about justification. Guideline 4 is only more specific on the non-regular ORSA which is not addressed in Guideline 15.
192.	AMICE	3.30	We understand that the standard case will be an annual ORSA and that interim ORSAs will in principle be triggered by particular events, such as a significant change in the risk profile (Art. 45(5) L1 and par. 4.73). Some of our members would appreciate an indication of when in the year (probably related to the reporting cycle) an annual, regular ORSA could be expected.	That is not correct, the undertaking needs to justify the regular frequency and it is by no means certain that the standard will be annually. That is up to the undertaking to decide.
193.	AXERIA	3.30	"The undertaking should justify the adequacy of the frequency of the assessment" We estimate it would be helpful to give more information on the expectations of the Authorities as regards the justification of the ORSA frequency.	EIOPA is not going to further specify what would be considered an acceptable explanation. The undertaking will give its reasons and the supervisor will assess whether this makes sense.
194.	Deloitte	3.30	Comment: The concept of trigger is not mentioned in this guideline where it is clearly identified in the underlying paragraphs.	Triggers are only needed for non-regular ORSAs.

			<p>Proposed new wording (change is highlighted in green):</p> <p>“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>	
195.	ILAG	3.30	<p>We suggest that this guideline is changed to say that ‘ All parts of the ORSA must be reviewed annually ’. The ORSA is not an individual report but is, instead, a risk management process made up of a number of elements.</p>	<p>The guideline is about the ORSA not the ORSA report, i.e. it already has the proposed meaning.</p>
196.	CRO Forum	3.31	<p>We propose the following drafting changes:</p> <p>The group should design the group ORSA to reflect the nature of the group structure and its risk profile. All of the material entities that fall within the scope of the group supervision should be included within the scope of the group ORSA. This includes both (re)insurance and non-(re)insurance undertakings, both regulated and non-regulated (unregulated) entities, situated in the EEA and outside the EEA.</p>	<p>The scope of the group includes all entities, irrespective if they are material or not.</p>
197.	Deloitte	3.31	<p>Comment:</p> <p>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. We believe additional clarification would be helpful to clarify how the banking entities within the scope of the group supervision are to be included within the scope of the ORSA and how risk diversification between bank and insurance entities may be taken into</p>	<p>Disagree: unregulated entities can generate risks in the group that should be taken into account.</p>

			<p>account.</p> <p>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.</p>	
198.	CEA	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>	<p>Disagree</p> <p>The last sentence doesn't create any confusion, it only tries to determine, with clarity, which entities fall under the scope of group supervision.</p> <p>Non-EU subsidiaries, sited outside the EU, are not subject to SII so there is no obligation for them to elaborate the solo ORSA, but they should contribute to the single ORSA as part of the group.</p>
199.	FEE	3.31	<p>The treatment of participations outside the scope of Solvency II should be specified in the group context, especially regarding consistency considerations (e.g. use of other capital models).</p>	<p>Noted</p>
200.	GNAIE	3.31	<p>The application of the ORSA requirements to branches is not clear. Are branches and subsidiaries treated alike for purposes of the ORSA ?</p> <p>We think there also needs to be clarity as to third country groups in the absence of an equivalence ruling. In those cases, will the third country be obligated to file only the ORSA for its EEA subsidiaries ? Assuming that the third country group supervisor of the international group is</p>	<p>Branches are included in the scope of the group.</p> <p>See answer 75</p>

			requiring an ORSA, will the host supervisor in the EU wish to have access to the group ORSA ? Will review of the group ORSA by the group supervisor and discussion at the college of supervisors be sufficient? What if the third country does not require an ORSA ?	
201.	IUA (International Underwriting Association of London)	3.31	The text should let it be understood clearly that a solo ORSA is not required of non-insurance and non-EEA entities.	The Guideline applies to group specificities, this clarification is a solo issue which has no place here and should anyway not be necessary as it is clear from Directive 2009/138/EC.
202.	KPMG ELLP	3.31	<p>We agree that all entities should be in the scope of the group ORSA. However, the entities covered here only relate to the insurance part of a group. Insurance groups are likely to contain in addition companies outside the insurance sector.</p> <p>One of the areas groups are grappling with is in understanding how the group ORSA requirements interact with the non-insurance parts of their business. In particular, the extent to which group ORSA needs to drive down into the decisions taken within this part of the group.</p> <p>In order to properly understand group risks, all such entities should be included within the ORSA, which is what this section suggests (given the link to the scope of group supervision). It would therefore be very helpful if specific consideration of the interaction of the group ORSA with these businesses could be included within this paper.</p>	<p>Non-regulated entities are entities outside the insurance sector and regulated entities include entities e.g. from the banking sector.</p> <p>To the extent that such decisions affect the group. This is driven by the purpose of the group ORSA.</p>
203.	Willis	3.31	This paragraph states that the group ORSA should include	Noted

	Global Captive Practice		<p>both (re)insurance and non-(re)insurance undertakings, both regulated and non-regulated entities, situated in the EEA and outside the EEA.</p> <p>A significant number of (re)insurance entities have been established by non-(re)insurance entities to underwrite the risks of the parent and associated companies and/or the risks of employees and/or clients of the group. These could be loosely defined as captive (re)insurers.</p> <p>Can EIOPA confirm that it is not the intention that a group ORSA is required where the (re)insurer is established to underwrite the risks of its parent and associated companies, and/or the risks of the clients and/or employees of the parent and associated companies, and where the group is not a (re)insurance group?</p>	<p>The entities mentioned here are captives and they are included in the scope of the group ORSA para. 4.75</p> <p>Yes, this is correct. A group ORSA only needs to be performed for a (re)insurance group.</p>
204.	CRO Forum	3.32	<p>The 1st paragraph sets out the Group ORSA should be in the same language as the Group RSR.</p> <p>The 2nd paragraph, however, states that other supervisory authorities may require the undertaking to include a translation of the part of the concerning ORSA information.</p> <p>We feel the 2nd paragraph does not support the intention of the 1st paragraph, it is not practical and would only add to compliance expense. We therefore propose that only the first sentence is included in the guideline.</p>	<p>Para 3.2 and 3.33 are different, one is group ORSA and the other is single ORSA document.</p>
205.	CEA	3.32		
206.	FEE	3.32	Also here, the requirements for sub-groups should be	There´s no ORSA for subgroups, only

			specified.	solo ORSA + group ORSA or single ORSA document.
IRSG	IRSG	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> <ol style="list-style-type: none"> 1. 2. 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>This is about the single ORSA document not about the group ORSA.</p> <p>See comment no. 209 to CEA. Unfortunately that cannot be helped as the local supervisor needs the information that is to be translated.</p> <p>The situation is such that the particular information to be translated from the single ORSA document is information that concerns the local supervisor as part of the SRP on the subsidiary.</p>
207.	AXERIA	3.33	It would be useful to precise the term "subsidiaries", in particular ,to indicate if establishments are included in this category .	There ´s no need to define subsidiaries. Art 13.16 of SII defines subsidiary.
208.	Deloitte	3.33	<p>Proposed new wording (change is highlighted in green):</p> <p>"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."</p>	Disagree, as this is not in line with Directive 2009/138/EC terminology. Anyway every supervisory authority is a Member State supervisory authority, even the group supervisor.
209.	CEA	3.33	Paragraph 3.32 requires the Group ORSA to be in the	No need for clarifications.

			<p>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> <ol style="list-style-type: none"> 1. 2. 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. 3. 	<p>Disagree, because the solo supervisor needs to understand his part of the single ORSA.</p>
210.	FEE	3.33	<p>The requirements for the acceptance of a group wide ORSA (single ORSA document) especially in international insurance groups / financial conglomerates) and the additional requirements of sub-group reporting should be specified. Typically, international insurance groups plan to implement a local (sub-group wide) ORSA in each country subject to Solvency II requirements as the basis for group wide ORSA reporting. Here, language requirements for local ORSA reports and the need for translations (for communication and information exchange between group and sub-groups in different countries) should be clarified.</p>	<p>Subgroup supervision is the exception not the rule under Solvency II. Hence subgroup related questions are outside the scope of these Guidelines and Recommendations.</p>
211.	GNAIE	3.33	<p>Does this translation requirement apply to branches?</p>	<p>Only to third country branches within the EEA.</p>
212.	ILAG	3.33	<p>We suggest that the report to the supervisors should be made up of the total documentation around the ORSA and not a single report. However, a single report could be prepared but this would refer to a series of analyses carried out through the extensive use of appendices.</p>	<p>It is not acceptable to submit the total documentation around the ORSA as the ORSA report as this contains a lot of information that the supervisory authority does not need. ORSA supervisory reporting must be fit for purpose,</p>

213.	Legal & General Group plc	3.33	More clarity is needed on the relationship between the Group supervisor and Solo entity supervisors. The operation of the College is unclear in terms of the respective roles and responsibilities of each supervisor and their access to information.	The role of the College and the relationship between the group supervisor and local supervisors are not ORSA specific and thus outside the scope of these Guidelines and Recommendations.
214.	CRO Forum	3.35	This guideline could be merged with guideline 18.	Agree.
215.	CEA	3.35	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.	This paragraph was deleted.
216.	CRO Forum	3.36	No guideline is necessary to define what planning horizon is adequate for the group. It may be assumed that groups have a well defined planning horizon which should be referred to. --> guideline 20 may be deleted.	Agree
217.	Deloitte	3.36	Comment: Typo; "Froward" should be "Forward"	Agree.
218.	CEA	3.36	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.	Noted.
219.	FEE	3.36	We understand there will be no requirement to harmonise business planning periods throughout the group. Potential differences in business planning periods should at least be taken into account and be evaluated when presenting group wide projected solvency ratios (on aggregated	Paragraph was deleted.

			levels), e.g. if only 80 percent of the group undertakings project the solvency position for the third planning year.	
220.	KPMG ELLP	3.36	<p>This suggests there will be no requirement to harmonise business planning periods throughout the group. This may be helpful for groups which has subsidiaries with non-coterminous year ends, but this could result in a mix of 'real' and 'projected' information being used.</p> <p>It would therefore be helpful to understand the intention behind this guideline.</p>	Paragraph was deleted.
221.	AMICE	3.37	We regard the new wording "should identify" preferable over the previous wording "should describe".	Paragraph was deleted.
222.	Association of British Insurers (ABI)	3.37	This explanation would fit better in the internal model documentation, rather than the ORSA report. It should not be a requirement for the ORSA to replicate such information when cross-references to internal model documentation would suffice in the vast majority of cases.	<p>The explanation is useful also for the purposes of the ORSA.</p> <p>This information also should be covered by IM documentation.</p> <p>On the other hand from year to year the reasons why some entities do not use IM may change – for example the IM is not used by some entity, because it is not of the sufficient quality and local supervisor has ordered to calculate SCR using SF.</p>
223.	CRO Forum	3.37	It should be clarified that a reason for not using the internal group model shall only be required for regulated entities.	Noted.
224.	CEA	3.37	It should be clarified that this refers only to (re)insurance entities regulated by Solvency II.	Noted.

225.	RSA Insurance Group	3.37	This explanation belongs in the internal model documentation, not the ORSA report.	See comment no. 222.
226.	CNA Insurance Companies	3.38	CNA strongly supports the notion of filing a single group-wide ORSA report. We hope that this approach will ultimately be extended to third country-based groups in equivalent jurisdictions.	Noted.
227.	CRO Forum	3.38	We would like to have clarity on the process and the criteria for approval of a group wide ORSA beyond compliance with Article 45 and Article 246(4).	Read the Explanatory text (4.97) and Article 246(4) of Directive 2009/138/EC.
228.	CEA	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.	It is a case by case basis. This is already quite clear from Article 246 of Directive 2009/138/EC and therefore not to be repeated.
229.	FEE	3.38	See 3.33. Does this guideline also refer to international insurance groups or rather to sub-groups (e.g. one single ORSA document for each country)?	Art 246.4 of SII is enough clear. No mention of subgroups in any case and a single ORSA document each group.
230.	FRC	3.38	We suggest that for the avoidance of doubt this guideline should refer to the « ORSA supervisory report » as defined in guideline 3 to avoid confusion with the internal report on the ORSA.	Disagree
231.	GNAIE	3.38	GNAIE supports allowing the option of filing a single group wide ORSA report. We hope that this single ORSA approach will also be extended to third country based groups filing ORSA's with their third country supervisors should the third country regime be deemed to be equivalent under Article 260. We would argue in the interest of equal treatment of all companies, this should be the case.	Noted

232.	IUA (International Underwriting Association of London)	3.38	In our view, the proposed requirement, as currently drafted, could encourage the view that the group ORSA should be constructed out of individual ORSAs for each subsidiary. While identifying each legal entity, the group ORSA should not also be expected to include an ORSA for each subsidiary. That would be contrary to its purpose as a management tool for the group.	The group ORSA does not include an ORSA for each subsidiary. The group wide ORSA means the group ORSA and the solo ORSAs are performed at the same time and reported at the same time to the group supervisor only.
233.	Association of British Insurers (ABI)	3.39	The content of the guideline does not match the heading. We found this unclear as to how exactly it is intended to link to strategic decision making. We think that further clarification/re-wording is needed. The word 'relevant' should be inserted before 'solo undertaking'.	This Guideline has been deleted.
234.	CEA	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.	This Guideline has been deleted. .
235.	EST	3.39	We support the ORSA Report to be available on the solo entity level for the local supervisory authority. This improves clearly an overall risk landscape because provides additional evidence that the risks are under good control on the solo entity/ subsidiary level.	This Guideline has been deleted.
236.	Groupe Consultatif	3.39	The content of the guideline does not match the heading. Furthermore, the last words should be updated to read "... for each relevant solo undertaking". Consistency of indicators and processes reported in the ORSA between the group and solo entities needs to be ensured. We want to point out that the group ORSA should assess the group as a whole and not be an aggregation of solo ORSAs.	This Guideline has been deleted.

237.	IUA (International Underwriting Association of London)	3.39	Please see our response to 3.39.	This Guideline has been deleted.
238.	RSA Insurance Group	3.39	The content of the guideline does not match the heading.	The guideline has been deleted
IRSG	IRSG	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>	This Guideline has been redrafted.
239.	CRO Forum	3.40	<p>The treatment of third countries is welcome (we would welcome confirmation that the third country definition is the same as in the context of equivalence discussions).</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. Doing this would defeat some of the purpose and objective of the equivalence assessment and recognition.</p>	This Guideline has been redrafted.

			Therefore we would add at the end of the Paragraph: "this requirement does not apply to companies whose third country supervisory regime is considered to be equivalent".	
240.	CEA	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>	This Guideline has been redrafted.
241.	FEE	3.40	See 3.31. What does « ...should assess the risks of the business in third countries in the same manner as for EEA-business.. » mean in consideration of economic capital models? This question is especially relevant for international insurance groups where the majority of the business and risk profile is outside EEA. What are minimum requirements for the analysis (qualitative explanations, quantitative analysis based on systematic model validation : comparison of other economic capital models with Solvency II related models, stress tests, sensitivity analysis, etc., for these non-Solvency II-models ?	This Guideline has been redrafted.

242.	GNAIE	3.40	Is there additional guidance regarding the group wide ORSA's consideration of third country undertakings related to third country groups with EEA subsidiaries both with or without equivalence ?	This Guideline has been redrafted.
243.	Groupe Consultatif	3.40	The wording should be updated to: ""In the group ORSA the group should assess the material risks of the business in third countries in the same manner as for EEA-business with special attention to transferability and fungibility of capital and consequences of applying local capital requirements and technical provision calculations instead of the Solvency II framework in third countries. This requirement does not apply to undertakings whose country regime is considered to be equivalent.	This Guideline has been redrafted.
244.	KPMG ELLP	3.40	As with our comment in 3.31, this only refers to insurance businesses and not to other group operations. Read cold (ie without the additional material in 4.99), it is unclear what the reference to deduction and aggregation means. See also our comments at 4.99	This Guideline has been redrafted.
245.	MARSH Captive Solutions Group	3.40	This appears to level a different hurdle for equivalent and non equivalent domiciles which is inconsistent with the process laid out in paragraph 4.99.	This Guideline has been redrafted.
246.	AMICE	3.41	See our comments on par. 3.1.	Please see comment 24
247.	CEA	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	Disagree. The Guidelines are drafted in such a way s to enable compliance without

			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.	restricting different approaches where these are in line with requirements.
248.	AMICE	3.43	<p>Art 16 (3)of the EIOPA Regulation requires such reports only “if required by that guideline”. We do not think that such reports should be required and therefore suggest deleting this paragraph.</p> <p>ORSA is mainly a management tool and not a supervisory tool. Through the (external) ORSA report and through the ongoing supervisory process, the supervisors have the possibility of assessing the quality of the undertaking’s ORSA and the compliance of the assessment with the requirements of levels 1 and 3. We see no reason for and object to any publication of the undertakings’ ORSA compliance and see no role for peer pressure in this context</p>	Disagree, the guidelines are legally binding. Further redrafting can be expected for the public consultaion of the single rule book probably at the end of 2012.EIOPA
249.	CEA	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-compliance with a guideline in a detailed way will create another reporting obligation for undertakings. This means additional burden.	Disagree, the guidelines are legally binding. Further redrafting can be expected for the public consultaion of the single rule book probably at the end of 2012.
250.	AMICE	3.45	Does not exist (.	Agree
251.	Deloitte	4.1	<p>Proposed new wording (change is highlighted in green):</p> <p>“Article 45 requires the undertaking to perform a regular ORSA as part of the risk management system. The main</p>	The usual “string of verbs” was not used for a reason: this is specifically about the ORSA not about risk

			purpose of the ORSA is to ensure that the undertaking engages in the process 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.”	management in general. Identification and reporting of risks is not in the focus for the ORSA.
252.	CEA	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. .	Flexibility is not total. Even though the ORSA is a management tool the flexibility ends where the undertaking does not comply with requirements and Guidelines and Recommendations.
253.	IUA (Internati onal Underwriti ng Associati on of Lo	4.1	Please see our response to 3.26.	Noted.
254.	AMICE	4.2	EIOPA uses the term “overall solvency needs” throughout the document. We suggest substituting it with a more generic term, such as “capital needs” in order to avoid confusion. After all, it is one of the key clarifications on L1 in this context that the ORSA shall not serve to calculate a capital requirement.	The use of terminology necessarily has to be in line with Article 45 of Directive 2009/138/EC.
255.	Deloitte	4.2	Comment:	

			<p>The ORSA should take into consideration qualitative as well quantitative risk tolerance limits.</p> <p>Proposed new wording (change is highlighted in green):</p> <p>"(...) This takes into consideration its risk profile, approved risk tolerance limits (quantitative and qualitative) and business strategy".</p>	<p>Agree.</p> <p>It is not necessary to state this explicitly. "Approved risk tolerance limits" covers all risk tolerance limits whether they are quantitative or qualitative.</p>
256.	CEA	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> <p><input type="checkbox"/> 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.</p> <p><input type="checkbox"/> 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.</p>	<p>EIOPA considers that such message is not set out in these guidelines. Therefore we do not consider that such clarification would be necessary.</p> <p>The overall solvency needs assessment is not about the SCR standard formula calculation at all but about the capital the undertaking considers it needs independently of regulatory requirements.</p> <p>Correct.</p>
257.	EST	4.2		
258.	Groupe Consultatif	4.2	<p>Several words have been missed from this sentence:</p> <p>"The assessment of "overall solvency needs" reflects the way the undertaking proposes to manage the risks they face..."</p>	<p>Noted. EIOPA has changed the sentence accordingly.</p>
259.	KPMG ELLP	4.2	<p>This seems to indicate that management need a risk methodology setting out how risks are managed on an</p>	<p>Disagree, it is not.</p>

			individual level within the business (i.e. capital as a mitigant if quantifiable and in the internal model, managed by monitoring actions and controls so not in internal model, or both). Is this the expectation?	
IRSG	IRSG	4.3	<p>Given the procyclical design of standard formula (for example mass lapse risk), it will be impossible to ensure that the SCR will be met "at all times", as indicated in this guideline. There'll always be a stressed scenario where , if it happens, the SCR will be broken. These guidelines should say "ensure with a sufficient probability...". To improve the awareness of the AMSB, an analysis of scenario breaching the SCR should be provided in ORSA.</p> <p>When analyzing a stress scenario, undertaking should be allowed to take into account EIOPA's action to allow a countercyclical premium. And the guidelines should recognize that during a major financial crisis, MCR is the only requirement to be met at all times.</p>	<p>Disagree</p> <p>The need to ensure that the SCR is met at all times does not imply that all undertakings will succeed all the time but they have to strive for continuous compliance and may not deliberately risk non-compliance.</p>
260.	Deloitte	4.3	<p>Comment:</p> <p>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</p>	<p>The text is consistent with 4.40 without repeating everything specified in 4.40.</p>
261.	CEA	4.3	<p>We agree that the ORSA should encompass all solvency needs and should constitute an assessment of the risks</p>	<p>Noted.</p>

			<p>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>	This is not the aim of paragraph 4.3.
262.	Groupe Consultatif	4.3	<p>The emphasis should not be on ensuring the SCR is met at all time, rather that it should be met "with sufficient probability...".</p> <p>The SCR is based over a one year time horizon and it is not appropriate for this to be a criteria over a longer period of time. Companies' capital levels may temporarily fall below the SCR for tactical purposes or due to the procyclical nature of the SCR calculation. It is for this reason that undertaking should be allowed to take into account EIOPA's action to allow a contracyclical premium (and hence more certainty is required on the application of the contracyclical premium).</p> <p>Furthermore, the MCR is the absolute regulatory limit while the SCR should represent a buffer on top of this. By specifying that companies should ensure they always meet the SCR will effectively force companies to maintain a significant capital buffer over and above regulatory capital levels.</p>	<p>This follows from article 45 (1) (b) where it says that the ORSA should include an assessment of the continuous compliance with the SCR calculation.</p> <p>No, it may not. The undertaking has to take the volatility of the SCR into consideration in its capital management and to take appropriate steps to ensure own funds do not fall below the SCR at any time.</p> <p>Yes, depending on the volatility of the individual SCR this may well be the case.</p>
263.	CEA	4.4	<p>Please refer to paragraphs 3.28 and 4.3 with regards to the differences between ORSA and regulatory capital requirements.</p> <p>We disagree with EIOPA's statement that undertakings</p>	<p>Noted.</p> <p>This regards the requirement to assess</p>

			<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>overall solvency needs independently from the SCR even for a one year horizon although the capital requirements covers this one year horizon since the standard formula may not be appropriate to the risk profile of the undertaking.</p> <p>Noted.</p> <p>Noted.</p> <p>Not hardly.</p> <p>EIOPA considers that the ORSA constitutes such a mechanism.</p>
IRSG	IRSG	4.5	<p>The second sentence is unclear and also seems superfluous. Therefore, it should be deleted.</p>	<p>Agree</p> <p>EIOPA has deleted this sentence.</p>

264.	Deloitte	4.5	<p>Comment:</p> <p>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.</p> <p>Comment:</p> <p>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 stressed situation)</p>	<p>Agree. This just means that since it is about the calculation of the SCR and technical provisions, these calculations should follow Directive rules.</p> <p>This level of detail is outside the scope of these Guidelines and Recommendations. EIOPA will not develop guidance on this issue before sufficient experience has been gained.</p>
265.	CEA	4.5	<p>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.</p>	<p>Undertakings are not required to hold sufficient capital for risks beyond the one-year horizon. But they have to make sufficient plans for future capital needs. Refer also to comment no. 264.</p>
266.	Groupe Consultatif	4.5	<p>More details are necessary on how the deviations between the undertaking's risk profile and the assumptions underlying the SCR calculation shall be evidenced. As significant discrepancies will systematically</p>	<p>See comment no. 265.</p> <p>Correct, the ORSA should show this.</p>

			appear on when comparing an undertaking's risk profile and the assumptions underlying the SCR calculation as a result of the risks attached to sovereign debt, further guidance should be provided on how this should be treated under the ORSA.	
267.	AFM	4.6	See comments above under 3.15.	Noted.
268.	AMICE	4.6	See our comments on 3.15.	Noted.
269.	Association of British Insurers (ABI)	4.6	This is an important and useful clarification. We strongly suggest that it is incorporated into the Guideline text.	Noted. Guidelines are always about required actions; an explanation or clarification cannot by content be included in guidelines.
270.	Deloitte	4.6	Comment: Please consider to include a cross-reference to 4.76 with examples of possible trigger events.	EIOPA disagree. We do not see how such cross-reference would work or help understanding the meaning of the paragraph.
271.	CEA	4.6	This is an important and useful clarification which should be incorporated into the guideline itself.	See comment no. 269.
272.	Groupe Consultatif	4.6	This is an important and useful clarification.	Noted.
273.	ILAG	4.6	We agree with this paragraph strongly	Noted.
274.	Legal & General Group plc	4.6	Notwithstanding the comment in the last sentence, Art.45(1) of the Directive essentially requires a reconciliation between ECR and SCR. This may not be a straightforward task where proxy models are used, and the results are unlikely to be exact	Noted.
275.	MARSH Captive	4.6	We welcome the reference to the Principle of Proportionality applying to the ORSA process per Article	Noted.

	Solutions Group		45(2) of the Directive and note the proposal that an undertaking's assessment of its overall solvency needs does not necessarily call for the use of a complex approach and that the methods employed may range from (simple) stress tests to more or less sophisticated economic models.	
277.	RSA Insurance Group	4.6	This is an important and useful clarification which could usefully be incorporated into the body of the guideline text.	Noted.
278.	AFM	4.7	See comments above under 3.15.	Noted.
279.	AMICE	4.7	<p>We welcome the clarification that proportionality applies not only to the complexity of methods, but also to the granularity of the different analyses.</p> <p>However, we see no strong basis for a link between proportionality and the frequency of the ORSA. In our view, an annual ORSA is the standard case and intermediate ORSAs would be triggered rather by events (e.g. significant changes in the risk profile) than by nature, scale and complexity of its risks.</p> <p>Given the importance of the statement in per. 3.2., we strongly suggest including in the guideline –or at least in a new explanatory paragraph a passage emphasising that the application of proportionality is entrusted to the undertakings themselves. See our comment on 3.2.</p> <p>See also our comment on par. 3.30, resulting from an uncertainty about the appropriate timing of the ORSA9s) during the financial year.</p>	<p>Noted.</p> <p>Events may trigger a non-regular ORSA but have nothing to do with the frequency of the regular ORSA. The connection is less with the scale and more with the complexity of the risks an undertaking is exposed to.</p> <p>This is not ORSA specific. Also see EIOPA comment to 3.2.</p>
280.	CRO Forum	4.7	We recommend deleting the reference to the frequency of the ORSA in relation to the application of the principle of proportionality as it is confusing. As a process, ORSA will likely spread over the entire year for many undertaking and an annual report to the supervisors on the overall	<p>See comment no. 279.</p> <p>The ORSA is performed for a specific reference date and not spread over the year. Undertakings/groups with</p>

			results, as per the provisions in the draft Level 2 texts, should be sufficient.	complex risks will have to perform the ORSA more often than annually.
281.	CEA	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>	<p>See comment no. 279.</p> <p>The draft implementing measures do not address the ORSA but only reporting/disclosure on the ORSA (as part of reporting/disclosure requirements). Reporting about the ORSA in the RSR is annual (if the RSR is annual), not the ORSA itself.</p> <p>Always subject to the assessment of the supervisory authority.</p>
282.	KPMG ELLP	4.7	<p>Although Article 45 only refers to the assessment being performed 'regularly', we had understood that the minimum frequency was annual. This suggests that if the firm has a higher risk profile the minimum frequency should be more frequent than this.</p> <p>If the reporting to supervisors is linked to the internal reporting timetable, then this could result in ORSA supervisory reports on a more frequent basis than annually. Is this the intention? This would not have been the case when the ORSA was required to be reported as part of the RSR reporting process.</p> <p>If this is the intention, then who will determine the appropriate frequency – the firm or the supervisor? We believe it should be the firm.</p>	<p>Agree.</p> <p>The idea behind this text is a reference to a non-regular ORSA which has to be performed in cases of significantly increased risk-profile.</p> <p>Yes, this was one of the reasons for the change: Before the supervisor would still have received information on each ORSA but not immediately. All regular ORSAs performed during the year would have been reported at the same time with the RSR - which does not make a lot of sense.</p> <p>The frequency is to be justified by the undertaking, i.e. if the supervisory authority does not accept that the frequency is appropriate for the</p>

				undertaking it can require the undertaking to increase the frequency.
283.	MARSH Captive Solutions Group	4.7	We welcome the proposal that the proportionality principle is to be reflected in the frequency of the ORSA to be established by the undertaking.	See comment no. 279 above
IRSG	IRSG	4.8	Add: "...with the support of the risk management function..." to be brought in line with EU thinking regarding stepping up the profile of the risk management function and corresponds to practical need.	Disagree We want to stress the responsibility of the AMSB and the need to be able to discharge it.
284.	AMICE	4.8	See our comment on par. 3.6.	Noted.
285.	CRO Forum	4.8	In line with comments related to paragraph 3.18, we would avoid specific reference to the word 'policy', and therefore we suggest the following redrafting: The AMSB approves the ORSA policy and ensures that the ORSA process is appropriately designed and implemented - with the central role Risk Management.	EIOPA disagrees. This depends on how the undertaking organises itself.
286.	Deloitte	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."	The process is not properly implemented unless it operates as intended.
287.	KPMG ELLP	4.8	The requirement to have an independent assessment has been removed. Is this because it is up to the AMSB to determine how they satisfy themselves the ORSA process operates as designed?	The point here is to emphasize the importance of the AMSB's involvement in the process. EIOPA does not expect an independent assessment on top of that provided for the system of governance. The

			Also is it expected that internal audit should review the ORSA processes, as they would any other area of the business? If so we would suggest this is added to the document.	<p>requirement was removed lest it be interpreted as an additional assessment requirement.</p> <p>This is addressed in the paper on governance. Since this assessment by the IAF applies to all areas of the business there is no need to mention the IAF for the ORSA specifically.</p>
288.	CEA	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.	<p>"Would be" and "could be". Undertakings must take into consideration adverse developments through scenario and stress tests.</p> <p>So the risks arising from external factors have to be taken into consideration as well.</p>
IRSG	IRSG	4.10	Second sentence: The AMSB can in some cases not [and need not always] give instructions to management. Better wording: "It also challenges the management on actions..." (instead of "gives instructions").	<p>Disagree</p> <p>If the undertaking wants to take into account that it would not just let a potentially dangerous situation deteriorate without taking counter measures, the AMSB has to make known which counter measures it would take in which circumstances in order to save the situation.</p>
289.	CRO Forum	4.10	<p>One of the roles of the AMSB should be to 'challenge' the results of the ORSA as it is described and consequently we would recommend amending the text to "It also challenges the management on actions to be taken if certain risks were to materialise".</p> <p>We ask for clarification of the relation between guideline 2 and Article 120 of the directive for companies using an internal model.</p>	<p>EIOPA disagrees. This is about the management actions the AMSB would take under certain circumstances.</p> <p>The assumptions underlying the internal model will be an important element in the ORSA process, but having an internal model does not relieve the ASMB from their duty to</p>

				play an active part and challenge both assumptions and results as necessary.
290.	CEA	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.	Impossible to give a general answer, it will depend on the materiality of the management actions. Management actions taken below the level of the AMSB are however not the point of this paragraph which is that in order to determine overall solvency needs "countermeasures" of the undertaking in case certain risks materialise can be taken into account. For this input of the AMSB is needed as to when what actions would be taken.
291.	Groupe Consultatif	4.10	In general, the AMSB performs a review and oversight role whilst the instructions and actions are performed by the Executives. It is important to maintain this distinction to ensure sufficient oversight within the organisation. Suggest change this wording to "...reviews management proposals on actions to be taken if ...".	EIOPA disagrees. It can very well be, and indeed it would be expected, that the ASMB during the ORSA process give explicit instructions with regard to actions to be implemented if any specific identified risk should materialize.
292.	AMICE	4.11	The obligation to "challenge the assumptions" expects a very high level of expertise at the competent AMSB. We suggest therefore the following amendments and clarifications: <input type="checkbox"/> It would be useful here (as it is being done in other places) to emphasise that challenging the assumptions is an obligation of the AMSB as a whole (collectively). The ability to challenge must not be expected from all individuals in the AMSB. <input type="checkbox"/> It must be possible for the AMSB to "outsource" the technical part of the assessment and to retain the final responsibility to validate conclusions.	The level of expertise in the AMSB should be commensurate with the complexity of the business, as the fit and proper requirements under the Solvency II regime clearly state. The individual member should be able to challenge within that persons area of expertise. EIOPA strongly disagrees with the proposal to change "challenge" with "monitor" which suggests a more passive role for the AMSB, as this is definitely not the intention behind the Governance chapter in the Solvency II

			<input type="checkbox"/> Given the described difficulties, we suggest replacing the word “challenge” with “monitor”.	Directive.
293.	BW	4.11	We would not expect this to be the case for a standard formula firm.	Disagree. Especially for undertakings using the standard formula it is important to challenge whether the assumptions underlying the formula reflect the risk profile.
294.	Deloitte	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.	In EIOPA’s view the question is not about control, but about whether the standard formula satisfactorily reflects the risk profile of the undertaking.
295.	CEA	4.11	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. 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.	See comment no. 292. EIOPA does not understand this comment. See comment no. 292.
296.	Groupe	4.11	As currently drafted the guideline could lead to entities	

	Consultati f		using the standard formula evidencing a test of each and every assumption behind the standard formula. In reality the AMSB should review that overall the assumptions (including correlations assumed) are a reasonable basis for monitoring the risk of the specific entity	Agree, this is the level EIOPA would expect the ASMB to operate on.
297.	AMICE	4.12	<p>The wording “ensure that solvency needs can be met even under unexpectedly adverse circumstances” is in contradiction to</p> <p>(a) the non-zero-failure concept of Solvency II and</p> <p>(b) the character of the SCR as an early warning indicator.</p> <p>If EIOPA means to say that capital needs should be met even under adverse circumstances, this term (capital needs) should be used – see also our comments on par. 4.1.</p>	<p>Directive 2009/138/EC requirement, Article 45(1) (b). Continuous compliance makes no exceptions for unexpectedly adverse circumstances.</p> <p>Agree that the term needs to be changed but to “capital requirements” as “capital needs” is not sufficiently clear either.”. The requirement is not to hold capital to cover the SCR under unexpectedly adverse circumstances but to have contingency plans in case of such circumstances.</p>
298.	Deloitte	4.12	<p>Proposed new wording (change is highlighted in green):</p> <p>“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.”</p>	Including “at all times” would only serve to fuel the misinterpretations shown in comment no. 299.
299.	CEA	4.12	4. 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	Correct. In view of the (potential) volatility of the SCR and the own funds and the complexity of the own funds requirements, appropriate capital management requires considerably more of undertakings and in particular

			<p>the possibility of adverse circumstances.</p> <p>5.</p> <p>6. 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>7.</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>	<p>the AMSB than the current system. The short recovery period in case of a SCR breach and the publication aspect have to be taken into account as well.</p> <p>The plan does not have to provide for “any” unexpectedly adverse circumstances.</p> <p>The wording is: “...alternatives to ensure...” which in EIOPA’s understanding implies a goal, not a certainty.</p> <p>EIOPA considers the reference to “the relevant timelines” more confusing than clarifying. We are not sure we understand what you mean.</p> <p>The term refers to the requirement to assess risk in the short and long term (article 45(2) of Directive 2009/138/EC) which in EIOPA’s view must encompass an element of capital planning.</p>
300.	FEE	4.12	This requirement could be interpreted as also imposing stress tests, scenario analysis, etc. for projected solvency ratios over the business planning horizon. Is this correct?	Yes.
301.	Ganado & Associates , Advocates	4.12	We note that the ORSA is to ensure that plans are in place outlining alternatives to ensure that solvency needs can be met even under unexpectedly adverse circumstances. We would like to confirm to what extent to ‘unexpected adverse circumstances’ need to be taken into account and whether this phrase can be taken to refer to low frequency high impact events which in the opinion of	<p>This is up to the undertaking and linked to the requirement to ensure continuous compliance with regulatory capital requirements.</p> <p>The undertaking is not required to plan</p>

			<p>the directors are to be considered by the undertaking.</p> <p>We believe that it is rather difficult for small and medium sized undertakings to consider each unexpected adverse circumstance which may impact the solvency needs of the company and would favour a clarification as to what sort of unexpected adverse circumstances are to be taken into account.</p>	<p>for any specific adverse circumstance. This is more general planning in case problems materialise in certain areas.</p>
302.	Groupe Consultatif	4.12	<p>Same as 4.10: AMSB does not decide upon business and risk strategies, it approves those as suggested by management. Suggest change ““decided upon”” to ““approved””,</p>	<p>EIOPA does not agree with the first sentence.</p>
303.	KPMG ELLP	4.12	<p>Should the policy also cover how the firm plans to address the forward-looking aspects (i.e. Pillar 1 projection methodology, stress tests / scenarios tests / reverse stress tests, risk appetite across the plan)?</p> <p>The reverse stress test requirement should be added into guideline 4 to make it consistent with the description under guideline 10. We believe it is absolutely right to have reverse stress tests in the paper as they are part of a coherent stress testing framework and a useful supervisory tool for assessing financial stability. Our experience has shown that those firms who have developed them feel they have learnt about their business as a result.</p> <p>The paper includes a guideline on 3 of the 4 documentation requirements so it would be worth including one on the ORSA supervisory report (even if it is in the Pillar 3 CPs) for completeness?</p>	<p>As a general rule, yes.</p> <p>EIOPA has rearranged some of the guidelines and explanatory text to clarify</p> <p>EIOPA has decided not to have such a guideline at this point in time.</p>
304.	Legal &	4.12	`	

	General Group plc			
305.	Partnership Life Assurance Company Limited	4.12	How should the term 'unexpectedly adverse circumstances' be interpreted in context with the 1 in 200 calibration of the SCR calculation?	The SCR is calibrated for a 12 months period. The term is primarily referring to the forward looking perspective of the ORSA.
306.	AMICE	4.13	As commented above (par 3.18.), we see no justification for excluding that the ORSA policy be an integral part of the risk management policy of the undertaking.	This is discussing definitions as opposed to realities. Whether the ORSA policy is an integral part of the risk management policy or expressed in a separate document is not the point, what matters is the content.
307.	Association of British Insurers (ABI)	4.13	The subject matter of Guideline 4 is the ORSA policy and we agree that a written ORSA policy is desirable. However, we feel it is potentially confusing to explicitly link Guideline 4 with Article 45 as there is no mention in any section of this Level 1 Article of an ORSA policy. Similarly, whilst Article 41(3) requires a written policy on risk management, the specific policies mentioned in Article 44(2) as required to form part of the overall risk management policy do not include an ORSA policy.	See comment no. 306. If the undertaking does not have an ORSA policy how would they then ensure that their aims are met when conducting the ORSA?
308.	CRO Forum	4.13	We reiterate previous comments as we do not concur with the conclusion that there needs to be a separate ORSA policy. The consequence from L1 is that ORSA needs to be appropriately reflected in the Risk Management policy but no specific ORSA policy is required. See also 3.18.	See comment no. 306
309.	Deloitte	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	

			<p>established under General Governance - Written policies- and include additionally at least:</p> <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> (i) How stress tests/sensitivity analyses are to be developed and how often are to be performed; (ii) Data quality requirements; and (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>Comment:</p> <p>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>	<p>b) is already covered by the reference to "Written policies".</p> <p>This is up to the undertaking.</p>
310.	CEA	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</p>	<p>In a way that is true since the ORSA policy describes what is to be done in general and the documentation records what actually was done which, while much more specific, should not materially deviate from what the ORSA policy sets out. But EIOPA does not see that as a problem.</p>

			<p>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>	<p>See comments no. 306</p> <p>Policies can be changed. Actually undertakings are required to review them regularly and to adapt them as necessary.</p>
311.	Legal & General Group plc	4.13	<p>The subject matter of Guideline 4 is the ORSA policy. Art.45 refers to the Own risk and solvency assessment. There is no mention in any section of Art.45 of an ORSA policy. Therefore it is misleading to link Guideline 4 with Art.45(2).</p> <p>Similarly, we found this paragraph confusing: whilst Art.41(3) requires a written policy on risk management, the specific policies mentioned in Art.44.(2) as required to form part of the overall risk management policy do not include an ORSA policy. From the references to the Directive, it does not follow automatically that, because ORSA is part of the risk management system and because the Directive requires a written policy on risk management, a specific ORSA policy is necessary. However, we do agree that a written ORSA policy is desirable.</p>	<p>See comment no. 306</p> <p>“Include” in Article 44(2) means that the list is not comprehensive.</p>
312.	Partnership Life Assurance Company Limited	4.13	<p>Guideline 4 indicates that the ORSA policy should include information which we consider would be more detailed than expected in a policy and would be more appropriately reserved for the more detailed process document.</p>	<p>Disagree. The information to be covered by the policy is supposed to be high-level and stable over time. We do not see which information is considered too detailed. A higher level of detail is supposed to be provided (concerning some of the items identified here) in the internal report on ORSA and other</p>

				documentation.
IRSG	IRSG	4.14	e) Solvency II is designed on a one-year-period time frame. A demand for a multi-year-period time frame based on the planning period seems to be very onerous. Guidelines should explicitly give allowance for simplified estimation methods, such as projecting the SCR for future period and the use of scaling factors.	Disagree e) is about overall solvency needs and not the SCR. However, EIOPA has changed the text. The expectations for the multi-year period are now less granular.
313.	AFM	4.14	In this paragraph, greater definition needs to be given to what level of understanding a third party can be assumed to have in order to evaluate the assessments. We would assume that the intention is that the third party will have significant financial services experience but this needs to be clarified.	The third party would be a knowledgeable third party – it does not make sense to send in someone for an assessment who does not have the necessary expertise. So no “dumbing down” is required for the documentation.
314.	AMICE	4.14	As the ORSA process, in particular in larger organisations, is a combination of many individual processes, some of which may already be fully documented and others less, we seek clarification that the “ORSA record” can be a compiled collection of records of the various processes constituting the overall ORSA process. Letter (k): see our comment on par. 4.11. (replacement of “challenge” with “monitor”).	Reference to existing documentation is of course possible – there is no need to rewrite for the sake of producing something “new”. But EIOPA would not expect coverage of the whole ORSA to be possible by reference to existing documentation.
315.	Association of British Insurers (ABI)	4.14	It would be clearer in point (b) to substitute ‘risk appetite’ for ‘risk tolerance limits’.	This is the terminology of Article 45 of Directive 2009/138/EC which will not be changed by EIOPA for Guidelines and Recommendations.
316.	CNA Insurance Companies	4.14	This guidance is unclear and seems to implicitly suggest that an entity has a capital allocation for each risk for which it has a risk tolerance. This is not necessarily the case and may not be achievable in the real world.	What is required is much more general, the link between risk assessment and the capital allocation process, not necessarily the specific allocation.
317.	CRO Forum	4.14	4.14 g) what is considered as a “significant deviation” in the context of the difference established from the	A deviation arising from quantifiable risks that is so material that it should

			<p>comparison of the undertaking's risk profile with the assumptions underlying the calculation of the SCR?</p> <p>4.14(c) this provision is duplicated in 4.27 of the explanatory text and could be removed.</p>	<p>be covered by the SCR.</p> <p>Both provisions concern risks not covered with capital, but without 4.14 (c) there would be no clarification that the management of these risks needs to be documented.</p>
318.	Deloitte	4.14	<p>Proposed new wording (change is highlighted in green):</p> <p>"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:</p> <p>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>EIOPA does not follow the reasoning. That the list is not comprehensive is already expressed in the word "include".</p> <p>The ORSA will anyway have to be included in the regular independent review of the system of governance as well as in the assessment of the internal audit function. EIOPA only deleted the independent review of the ORSA in order to avoid the misconception that an additional independent review on top of that was required.</p> <p>The assessment is not just to be done for supervisory purposes. It provides useful information for the undertaking as well. That can also be the case where the deviation shows the SCR overestimating the capital needs as the undertaking in this case should consider developing an internal model</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> <p>Comment: Regarding k) please define "challenge process" more specifically</p> <p>- The term performance is open for multiple</p>	<p>or think about how the capital requirement could be used more effectively.</p> <p>The explanation of the key drivers is already covered by "explanation of the differences".</p> <p>See comment no. 317.</p> <p>An "if any" is implied in d).</p> <p>EIOPA considers that this is up to each undertaking and that such detail should not be prescribed.</p> <p>The undertaking should document what the AMSB has done to perform the active role required of it and what was changed as a result and why.</p>
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			<p>interpretations (execution, result,...)</p> <ul style="list-style-type: none"> - 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) 	<p>The terminology is in line with Article 45, so risk appetite (which can be inferred from the risk tolerance limits) is deliberately not mentioned here.</p> <p>The paragraph addresses documentation not what to do in the ORSA.</p>
319.	ECIROA	4.14	<p>The ORSA process for Captives should include the following, subject to the principle of proportionality:</p> <ul style="list-style-type: none"> a) Agreed b) Not required c) Agreed but only those risks above the risk tolerance d) Agreed e) Not required – the ORSA is not a way to calculate regulatory capital f) Agreed g) Agreed h) Agreed i) Agreed j) Agreed k) Agreed 	<p>b) explains how the risks are “transformed” into overall solvency needs, so of course this is indispensable information.</p> <p>c) refers to the fact that not all risks even if within the risk tolerance limits must be covered with capital for internal capital purposes.</p> <p>e) Overall solvency needs are not regulatory capital requirements.</p>
320.	CEA	4.14	Please refer to paragraph 3.17 for comments on ORSA	Noted.

		<p>documentation.</p> <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>8. 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>9.</p> <p>It should be explicitly noted that the “overall solvency needs” do not include all material risks that a company faces.</p> <p><input type="checkbox"/> b) we propose to replace “capital allocation” with “risk appetite”, capital allocation is just one way to express risk appetite.</p> <p><input type="checkbox"/> 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).</p> <p><input type="checkbox"/> f), it is enough to require “conclusions and the rationale for them”, it should not be necessary to require “details on the ...”.</p> <p><input type="checkbox"/> 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).</p>	<p>As the documentation is to serve the purpose of enabling a third party to reproduce the ORSA this cannot be left to the undertaking’s discretion.</p> <p>Since this level of detail is necessary for an assessment of the ORSA which in view of the importance of getting the ORSA right should take place regularly, the costs are hardly unnecessary.</p> <p>For the assessment of the overall solvency needs all material risks have to be identified and considered. EIOPA clarified already in another context than documentation that it is up to the undertaking to decide which risks are to be covered by capital.</p> <p>For b) the proposed replacement would make no sense in the context as this is about how the risks are “transformed” into overall solvency needs.</p> <p>For d) see comment no. XXX.</p> <p>For f) EIOPA disagree as this is very important for a major compliance issue. EIOPA has changed e).</p> <p>For k) it is necessary to demonstrate that the AMSB is capable and actually performing its required role. Non-</p>
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			<p><input type="checkbox"/> i) (correct: e) 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> <p>Suggested additional text: “In addition, the company should record how risks, which are not included in the overall solvency assessment, were evaluated.</p>	<p>compliance would be a major issue for the supervisory authority.</p> <p>The suggested additional text is unnecessary since this is already covered by c)</p>
321.	FRC	4.14	<p>The level of detail required of the documentation is described as sufficient that it enables “a third party to evaluate the assessments”. We suggest that the competence of the third party should be defined. We presume that the primary audience is likely to be the administrative, management or supervisory body and regulators and therefore a high level of competence might be assumed.</p>	<p>This is not actually about the assessment itself as the purpose here is not to establish an external review. The third party would likely be an internal or external auditor or the supervisory authority.</p>
322.	Ganado & Associates , Advocates	4.14	<p>We understand that it is up to the insurance undertaking to determine the form of ORSA record-keeping required by the Guidelines.</p>	<p>Yes.</p>
323.	Gibraltar Insurance Association	4.14	<p>Point “d” requires a description of the methods used and their validation, including dependencies and the confidence level chosen. How does that fit in with the principle of proportionality which allows “simple stress tests” and less complex methods?</p> <p>Point “g” requires the identification of differences between the undertaking’s risk profile with the assumptions underlying the calculation of the SCR. Where undertakings chose to use the standard model to calculate their SCR, how are they able to determine what assumptions underlie this compared to their own risk</p>	<p>What is not done cannot be documented. This only applies where dependencies and confidence levels are an issue.</p> <p>See the cover letter to this consultation which explains that information on these assumptions will be made available by EIOPA.</p>

			profile? It is totally unclear how this requirement can be met.	
324.	Groupe Consultatif	4.14	A report which tackles each of these issues ""to a level of detail that enables a third party to evaluate the assessments"" will be very long, and will not leave room for focus on the key risk and capital management issues. For the ORSA to be a document suitable for the Board / AMSB to engage with, there must be every effort to focus on strategic level risk and capital management issues and their implementation, not on technical measurement issues and their documentation. The text must make clear that the points (a) to (k) are issues that are worthwhile to be raised if they are material, but there must be no implication of ""must""; Suggest amend the last sentence before (a) to read ""The record of each ORSA process should include where material"".	The paragraph is about the record of the ORSA, not about a report. The internal report has a different focus.
325.	IUA (International Underwriting Association of London)	4.14	Please see our response to 3.17.	Noted.
326.	KPMG LLP	4.14	e) Is a range of 'own solvency needs' acceptable or will supervisors require a single answer? k) see 3.6. We agree that the feedback and challenge process of AMSB should be documented.	A range is acceptable. Noted.
327.	Legal & General Group plc	4.14	With reference to (b), see comment in 3.18	Noted.
329.	CEA	4.15	We query what EIOPA's intended deliverable is in this case, for example a description of the undertaking's risk	The information should be fit for purpose. The undertaking has to

			profile and particular risk types, quantitative figures etc.	determine for itself, who needs which information from the ORSA.
IRSG	IRSG	4.16	We do not understand this statement as the ORSA report provided to the Supervisor must be consistent with the ORSA internal report approved by the AMSB. It can not be additional to the internal report.	Disagree However EIOPA agrees that consistency of content is a must which does however not preclude two reports. The internal report can be used for reporting to the supervisor provided it is suitable for serving supervisory needs.
330.	AMICE	4.16	<p>We feel that confusion could arise between the "ORSA record" as addressed on guideline 5 and its explanatory texts, the "ORSA internal report" addressed in Guideline 6 and the report on the result of the ORSA to the supervisor (Art 45(6) L1).</p> <p>With regard to EIOPA's linkage of the internal report to the report to the supervisor, we emphasise that the ORSA is designed as a strategic tool for management purposes and not a supervisory tool (see the emphasis by EIOPA in par 4.9, 5.10 and in particular 5.49).</p> <p>We very much welcome the conclusion by EIOPA, laid out in par.5.39 to 5.42 and 5.49, that no structure for the ORSA (results) report to the supervisor should be prescribed. We suggest therefore deleting the "if" clause in the second sentence of par 4.16.</p> <p>On the other hand, it would be appreciated if EIOPA could specify somewhere in the Guidelines (since par 3.20 through 3.27 of the December 2010 draft were not taken up) that the information to be reported to the supervisor may be based on internal documentation.</p> <p>Suggestion (although the explanatory text then does not fit ideally with guideline6): "The ORSA supervisory report could be based on the internal report [developed by the</p>	<p>And your comments prove you right:</p> <p>The ORSA record is the documentation of all the input and output in the ORSA; it is not for information purposes either to the AMSB or the supervisory authority for which it is much too extensive and lacking in focus. For the ORSA supervisory report no specific structure is prescribed but it has to be fit for purpose so it should contain neither too little nor too much information. That is why the internal ORSA report is not necessarily suitable for supervisory reporting. If it is, then the undertaking may use the internal report for that purpose. However, this may not always be the case and an undertaking cannot claim that the supervisor has to take the internal report for supervisory purposes because that is the way it is done internally. The supervisory authority will require the undertaking to make the necessary changes where the</p>

			undertaking] or indeed on any other internal ORSA documentation." N.B.: The internal ORSA report is only very cursorily referenced to Art. 45 L1. A clearer indication of the legal basis for this internal report could be useful.	report does not meet supervisory needs. For the legal basis see Article 44 of Directive 2009/138/EC.
331.	Association of British Insurers (ABI)	4.16	There is clearly a potential efficiency benefit if the internal ORSA report can also serve as the ORSA supervisory report. It could be helpful if the guidelines were extended to usefully cover the minimum amount of information that undertakings would be required to provide to supervisors, whilst recognising that more information than this may be provided, either at the behest of the insurer or the regulator.	There will be information on the content of the ORSA supervisory report in the Level 2 text, if not in a very detailed form. At this point in time EIOPA has no intention to specify the issue.
332.	CRO Forum	4.16	It is in the spirit of the ORSA to have consistency between the ORSA report to the AMSB and the report to the supervisor. Supervisors should expect that the report to the AMSB will determine the format and the scope of the supervisory report. Accordingly, the ORSA process and report should not be driven by the regulatory constraints.	The scope of the supervisory report should clearly be determined by supervisory needs and not by how the AMSB happens to want the information on the ORSA for its own purposes. EIOPA does not require the internal report to follow the supervisory report, rather EIOPA states that it may be the other way round provided the internal report contains the information appropriate for supervisory purposes, i.e. contains no material amount of unnecessary and all necessary information.
333.	Deloitte	4.16	Comment: See comment 3.17	Noted.
334.	CEA	4.16	Please refer to paragraph 3.17 for comments on ORSA documentation.	Noted.

			<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>	<p>For internal purposes they have that flexibility unless internal reporting is non-compliant with internal reporting requirements of Directive 2009/138/EC and the implementing measures.</p>
335.	Groupe Consultatif	4.16	<p>There is clearly a potential efficiency benefit if the internal ORSA report can also serve as the ORSA supervisory report. To assist companies in designing a report which can satisfy both purposes, it would be helpful if the guidelines were extended to cover the contents of the internal ORSA report. Such guidance should cover both the minimum information that undertakings must provide and also some indication of the maximum level of detail that supervisors can routinely require to be included in the internal ORSA report</p>	<p>In order to capture the maximum level of detail that supervisory authorities would expect, the Guideline would have to be much more specific than the rest of the Guidelines. EIOPA does not want to go to that level of detail for an issue that is first and foremost for the undertaking to decide and where supervisors would only interfere if the reporting were materially wide off the mark.</p>
336.	IUA (International Underwriting Association of Lo	4.16	<p>Please see our response to 3.17.</p>	<p>Noted.</p>
337.	Legal & General Group plc	4.16	<p>It is not clear whether “appropriate” is intended to imply that the ORSA supervisory report should provide more or less detail than the internal report.</p>	<p>It is not intended to imply either. The supervisory authority only wants the information necessary for supervisory purposes regardless of whether for internal purposes the internal report has a wider scope and more details or</p>

				less information, e.g. because the information is covered in different reports.
338.	RSA Insurance Group	4.16	There is clearly a potential efficiency benefit if the internal ORSA report can also serve as the ORSA supervisory report. To assist companies in designing a report which can satisfy both purposes, it would be helpful if the guidelines were extended to cover the contents of the ORSA supervisory report. Such guidance should cover both the minimum information that undertakings must provide and also some indication of the maximum level of detail that supervisors can routinely require to be included in the ORSA supervisory report.	See comment no. 335.
339.	FRC	4.17	Guideline 7 only applies where the undertaking uses recognition and valuation bases different from the Solvency II basis in its assessment of its overall solvency needs. We assume this refers to the recognition and valuation of assets and liabilities. The explanatory text in paragraphs 4.17 to 4.26, while useful, does not appear to relate to Guideline 7.	Correct. EIOPA has changed the sequence of the paragraphs to address this.
340.	Groupe Consultatif	4.17	This paragraph merely repeats requirements from elsewhere and is unnecessary.	Noted.
341.	RSA Insurance Group	4.17	This paragraph merely repeats requirements from elsewhere and is unnecessary.	See comment no. 340.
342.	AMICE	4.18	See our comments on par. 3.25 and 3.28. We question the usefulness (and often the possibility) for certain types of long-tail business to make projections over the whole business planning period on an adequate basis.	Noted.
343.	Association of British	4.18	The first part of this sentence does not add a lot of value. The material point here is that the assessment should cover the business planning period. This could be	EIOPA has rearranged guidelines and explanatory text to address this.

	Insurers (ABI)		articulated more clearly and would be more relevant to Guideline 10 than Guideline 7.	
344.	CEA	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.	This is not about the SCR at all but about overall solvency needs. The wording is clear on that long-term capital needs are assessed over the business planning horizon.
345.	Groupe Consultatif	4.18	The material point here is that the assessment should cover the business planning period and is more relevant to guideline 10 rather than guideline 7.	See comment no. 343.
346.	IUA (International Underwriting Association of London)	4.18	Please see our response to 3.25.	Noted.
347.	RSA Insurance Group	4.18	The material point here is that the assessment should cover the business planning period and is more relevant to guideline 10 rather than guideline 7.	See comment no. 343.
348.	AMICE	4.19	MMA: We welcome the explicit mentioning of risk mitigation tools.	Noted.
349.	ECIROA	4.19	The capital of the undertaking should be a protection against all risks. All major risks should be mitigated.	Agree.
350.	CEA	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.	If by "additional risks" you mean additional to the risks covered by the SCR that is not at all the message of the paragraph.
351.	Groupe	4.19	It would be helpful to create a standard risk mapping (or	EIOPA strongly disagrees. This is

	Consultati f		at least a standard risk referential) in order to help undertakings to what risks they are supposed to take into account and assess at least. Some examples, showing how to set up the boundary between risks which would be covered by a certain amount of capital and risks which are managed by adequate processes, would be welcome.	clearly the task and responsibility of the undertakings.
352.	Legal & General Group plc	4.19	Can we assume proportionality applies to "all"?	Proportionality is a general element to be considered by all undertakings. If you mean are there undertakings which do not have to consider all risks owing to proportionality considerations, the answer is no. Only material risks have to be addressed, but all risks have to be identified first to determine materiality.
353.	AMICE	4.20	Some AMICE members would appreciate more clarity on the concept of "materiality" in this context. Such clarity, however, needs not necessarily be provided through guidelines, but could also be the result of a meaningful discussion process between supervisor and undertaking. In any case, clarity about what is material in this context is necessary in advance and not only during the ex-post assessment of the undertaking's ORSA process/report.	Materiality cannot be defined in a way that releases the undertaking from judgement. The responsibility for determining materiality correctly is on the undertaking and it is unavoidable that this may be challenged through ex-post assessment. Agree, but the onus is on the undertaking.
354.	Associatio n of British Insurers (ABI)	4.20	The amount of capital required is determined by the totality of the risks faced, allowing for diversification and the correlation between separate risks; not individual risks on their own.	Agree, the text does not imply otherwise.

355.	Deloitte	4.20	Comment: Unclear is how non-material risks will be covered/managed as the article focuses on the material risks.	EIOPA consider that this should be left to undertakings.
356.	CEA	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.	It is not feasible to establish a general level of materiality; it will always be subject to judgement in the individual cases.
357.	FEE	4.20	So there should be a regular and systematic materiality assessment process in place.	Yes, EIOPA considers materiality assessment to be a continuous process.
358.	Groupe Consultatif	4.20	This shows a misunderstanding of how insurers hold capital to meet risk. The amount of capital required is determined by the totality of the risks faced, allowing for diversification. The materiality of individual risks is irrelevant to this assessment.	See comment no. 354.
359.	KPMG ELLP	4.20	Will the materiality assessment process need to be explained in the ORSA policy document?	This is only necessary when an undertaking deviates from the Solvency II principles within the assessment of overall solvency needs.
360.	RSA Insurance Group	4.20	This shows a misunderstanding of how insurers hold capital to meet risk. The amount of capital required is determined by the totality of the risks faced, allowing for diversification. The materiality of individual risks is irrelevant to this assessment.	See comment no. 354.
IRSG	IRSG	4.21	There is no further assessment if the planned risk mitigation techniques are realistic. The explanation of the undertaking must focus more on efficiency, applicability of risk mitigation tools.	Noted. The paragraph does not ask for the duplication of the assessment of risk

			Furthermore this is already subject to the Supervisory review process and the activities of the actuarial function. This should not be duplicated in this process.	mitigation techniques or for additional assessments, but EIOPA has changed the text to clarify this.
361.	Deloitte	4.21	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.	Disagree. "...how this will be done..." covers this. But sentence has been redrafted.
362.	CEA	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.	This is covered by 4.19 already.
363.	Groupe Consultatif	4.21	If the undertaking has explained which risks are going to be managed with mitigation tools, the "why it will be done" part seems to cover the same thing. Suggestion – Remove "and why it will be done"	Disagree. An explanation of "which" does not necessarily entail "why". But sentence has been redrafted.
364.	Deloitte	4.22	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	EIOPA agree with the suggested addition to the sentence, but hesitates to include the examples which are both non-life and open up for a demand for further examples relevant to non-life companies.

			assets to cover it - Massive lapse scenario may lead to liquidity needs."	
365.	Association of British Insurers (ABI)	4.24	The first three sentences in this paragraph do not seem to bear any relationship to each other. They are three quite distinct points and don't fit well in the same paragraph.	Agree, the explanatory text has been redrafted and moved
366.	Deloitte	4.24	Comment: "....the recognition and valuation bases have to be in line with the SII principles.". This does not seem to reconcile with the text described in guideline 7 ("if the undertaking uses recognition and valuation bases that are different from the SII basis...").	This refers to compliance with regulatory capital which obviously has to be in line with Solvency II principles.
367.	CEA	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?	This refers to the quantitative impact of an identified potential risk, and is just a reminder that one should assess the potential impact with a broad-minded approach.
368.	FEE	4.24	In our view, off-balance sheet dependencies should be analysed and evaluated (as part of materiality assessment).	Agree.
369.	Gibraltar Insurance Association	4.24	Again, it is not clear how the principle of proportionality applies to this section. It appears to imply that a very simple entity needs to employ the same complex methods as a much larger one	That is definitely not the intention. The text says nothing about the methods to be employed.
370.	GNAIE	4.24	We do not believe that the valuation basis of a third country group should be on the basis of Solvency II but rather on the basis used by that third country supervisor. We would appreciate guidance as to the basis of valuation	A non-EU group is not under SII system. Non-EU subsidiaries, sited outside the

			for the EEA subsidiary of a third country group both in cases of equivalence and without equivalence.	EU, are not subject to SII so there is no obligation for them to elaborate the solo ORSA, but they should contribute to the single ORSA as part of the group.
371.	KPMG ELLP	4.24	Material off-balance sheet aspects should also be considered.	Agree.
372.	RSA Insurance Group	4.24	The first three sentences in this paragraph do not seem to bear any relationship to each other. They are three quite distinct points.	See comment no. 365.
IRSG	IRSG	4.25	In this section (as well as in many other sections) the impression is that users of the standard formula are confronted with the demand to introduce a "quasi" internal model by the "backdoor" of ORSA guidelines. If Solvency II allows the use of a standard formula for SMEs than there should not be too much effort for SMEs to prove the adequacy of this formula.	The paragraph is not about the SCR calculation but about overall solvency needs assessment which EIOPA as a rule would expect to be assessed "independently" from the standard formula. If an undertaking uses the standard formula as a starting point anyway supervisors want to be shown that this is because it is appropriate for the undertaking not because it is the easy way out.
373.	BW	4.25	More guidance on how this would be done particularly for small firms with less resources	EIOPA has no intention to suggest how any part of the overall solvency needs assessment could be performed.
374.	Deloitte	4.25	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.	EIOPA does not agree to a categorical statement to this effect, however, it may well suffice for many undertakings in practise.

			Proposed new wording (change is highlighted in green): “(...) it is expected to qualitatively demonstrate that this is appropriate to the risk...”	
375.	FEE	4.25	Undertakings should at least demonstrate that the standard formula is realistic and appropriate to the risks inherent in its business and reflects its risk profile (which does not necessarily mean that the model is appropriate for all risk management / decision making purposes).	Noted.
376.	Gibraltar Insurance Association	4.25	As for 4.14 it is simply not clear how this can be done. How can any entity know what risks European actuaries have or have not considered in putting together the standard formula? The standard formula does not come with a standard risk register and risk appetite on which it has been based!	The message here is that while undertakings have flexibility to determine how they arrive at their overall solvency needs, EIOPA wants this to be a real expression of what undertakings consider to be appropriate. Falling back on using the standard formula not only for the SCR but also for overall solvency needs just because this is easiest regardless of whether it is appropriate is not acceptable.
377.	Groupe Consultatif	4.25	In this section (as well as in many other sections) the impression is that users of the standard formula are confronted with the demand to introduce a “quasi” internal model by the “backdoor” of ORSA guidelines. If Solvency II allows the use of a standard formula for SMEs than there should not be too much effort for SMEs to prove the adequacy of this formula.	See comment no. 376. That is not the intention. However, Solvency II is (as opposed to the present regime) risk based, and it is therefore important that the undertakings (with the assistance of the actuarial function) assess whether the standard formula gives a fair reflection of their risk profile. We expect that for many SMEs use of USPs (undertaking special parameters) will

				turn out to be the viable solution, but that is a far cry from introducing a "quasi" internal model. To the contrary, it is in the recognition of the fact that a standard model by definition will not suit all and that the ultimate goal for undertakings and supervisors alike should be to arrive at capital requirement for each undertaking that within the framework, provides adequate protection for policyholders and a level playing field.
378.	ILAG	4.25	<p>We would suggest that it must be up to the Supervisor to show that the standard formulae is not appropriate as an amount of capital for the firm. Most firms within the EU should be capable of using the standard formulae to generate an amount of immediate capital requirements that are adequate. If not, the standard formulae needs recalibration.</p> <p>Smaller firms may not have sufficient resources to 'demonstrate' that the standard formulae is appropriate. However, we note that 5.43 states that most of this demonstration should be qualitative rather than quantitative in the first instance.</p>	<p>See comment no. 376.</p> <p>That is a misconception of the intention behind the ORSA. "Own Risk and Solvency Assessment".</p> <p>It is 5.51.</p>
379.	Association of British Insurers (ABI)	4.26	This seems illogical and inconsistent with the statement in paragraph 4.6 that internal model outputs in the ORSA can differ from the SCR.	4.6. says that the internal capital model used to assess the overall solvency needs do not need to meet the requirements of internal models for calculation of the SCR. However, if the undertaking uses approved USP for the calculation of the SCR, it is expected that it will apply the same assumptions for assessing the overall solvency needs, since if the USP are right for the SCR calculation they cannot provide

				wrong input for the overall needs assessment. And if they are wrong for the overall solvency needs, they cannot be right for the SCR.
380.	Groupe Consultatif	4.26	This seems illogical and inconsistent with the statement in 4.6 that internal model outputs in the ORSA can differ from the SCR.	See comment no. 379.
382.	RSA Insurance Group	4.26	This seems illogical and inconsistent with the statement in 4.6 that internal model outputs in the ORSA can differ from the SCR.	See comment no. 379.
383.	CRO Forum	4.27	This is a duplication of 4.14 and the provision can be removed.	4.14 is about documentation, not about the underlying requirements and 4.14 c) could not be included without 4.27.
384.	CEA	4.27	Please refer to paragraphs 4.19 and 4.20 with regards to risk mitigation and techniques.	Noted.
385.	Groupe Consultatif	4.27	It is not clear whether an undertaking still needs to quantify all the quantifiable risks as part of the risk assessment even though some of which may be managed through risk mitigation. It is also possible that some risks cannot be mitigated completely. Suggestion – Provide further clarifications	In EIOPA's opinion the undertaking should quantify all material quantifiable risks that have been identified. How they mitigate those risks is another question. EIOPA agrees that some risks cannot be mitigated completely, but it is definitely an advantage if the undertakings are aware of these risks.
386.	KPMG ELLP	4.27	This analysis requires insurers to incorporate detailed market analysis, the focus of which could now incorporate risks posed to the wider economic environment. In some markets, supervisors are already moving to requiring forward assessments of the financial condition of an insurer under a range of scenarios. For example, in the UK, the Individual Capital Adequacy Standards (ICAS) requires extensive testing of capital, insurance, market, credit, liquidity and operational risks, in addition to other	Noted.

			<p>relevant risks such as reinsurance, strategic risks, and corporate governance risk.</p> <p>Such requirements will ostensibly be extended in Solvency II via the ORSA requirements and for those firms using an internal model, including the capital methodology proposed for calculating capital requirements. A widening of these existing and proposed supervisory tools to take account of potential economic impact considerations would largely complement the analysis performed and in this context, may be a cost effective and proportionate method for the insurance industry.</p>	Agree.
IRSG	IRSG	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 way. 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>	<p>Disagree</p> <p>We are aware that in some cases quantification is more difficult or can be less reliable than in others but we expect some “amount” to be given.</p>
387.	AMICE	4.28	<p>The third sentence seems to start from the assumption that all risks are somewhat quantifiable (even if applying more or less judgment). Since this is definitely not the case (see also our comments on par. 3.23), we suggest the following amendment:</p> <p>“It could be ‘pure’ quantification ... scenarios, more or less</p>	<p>Yes, EIOPA considers all risks to be somewhat quantifiable for internal purposes (if not for regulatory capital purposes).</p>

			judgmental or purely qualitative.”	
388.	CRO Forum	4.28	The first sentence reads “...all risks, including non-quantifiable risks like reputational risk or strategic risks.”, while the next states that “It could be ‘pure’ quantification”. This seems to be a contradiction. It should read as follows: “...all risks, including those, which are not covered by the internal or standard model like....”	EIOPA disagrees. There is no contradiction once the ‘pure quantification’ is in respect to quantifiable or non-quantifiable risks. Even if a risk is characterized as non-quantifiable, some quantification (for instance a range or values) may still apply. This is up to the undertaking and we would like to grant some flexibility in this assessment.
389.	Deloitte	4.28	<p>Comment:</p> <p>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. ‘The undertaking should express the overall solvency needs in quantitative terms and complement the quantification by a qualitative description of the risks.’</p> <p>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>	This is not what EIOPA means which is that all risks need to be expressed in quantitative terms even if they are not covered with capital.
390.	CEA	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</p>	<p>Agree.</p> <p>See comments nos. 388 and 389.</p>

			<p>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>	
391.	FEE	4.28	In our view, the requirements for reputational and strategic risk assessment should be specified.	Noted.
392.	Groupe Consultatif	4.28	Amend the wording to “The assessment covers all material risks, including ...	Disagree. As a principle, all the risks should be considered and be subject to the assessment process.
393.	Association of British Insurers (ABI)	4.29	We suggest that ‘include’ is replaced with ‘consider’.	Agree
394.	BW	4.29	We question if this is practical for a small subsidiary of a large group. The subsidiary may not have the information available	But the group, to which the undertaking belongs, must proportionate all these information to its subsidiaries.
395.	CRO Forum	4.29	Comment on group risk: We wish to reiterate that reputational and contagion risk are not stand-alone risks but consequences or manifestation stemming from other risks. Requiring a capital assessment for these cannot be an alternative to managing their consequences. As noted	Disagree, reputational risk is not in the text. Refer to contagion risk see comment on 555

			in the Solvency II directive "the ORSA shall not serve to calculate a capital requirement" article 45 (7).	
396.	CEA	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.	Disagree, this is not requesting duplication of work.
397.	EST	4.29	We support an inclusion of this requirement. The risks have to be captured and identified properly on local level in order to make sure that the local solo entity is also capable to handle the risks and is able to prove it.	Noted.
398.	FEE	4.29	See 3.33. Language requirements should be specified for international insurance groups / financial conglomerates obliged to fulfil this requirement.	Please see comment 210
399.	GNAIE	4.29	Additional guidance as to how this requirement applies to a subsidiary of a third country group is needed. What portion of the group wide ORSA, if any, needs to be available to the solo supervisor? What detail needs to be reflected in the solo ORSA if one is filed. Is college review of the group wide ORSA sufficient for the solo supervisor of a subsidiary of a third country group? Is the answer affected by equivalence?	Guideline 19 and its explanatory text are enough clear. The answer is not affected by equivalence.
400.	Groupe Consultatif	4.29	If a solo entity is belongs to a group and the group risks are covered by a group ORSA, this unnecessarily duplicates work.	But the solo entity must mention the risks that may impact materially the solo entity. There´s no duplication of tasks. This is about how risks from the group affecting the solo undertaking which is definitely not covered in the group ORSA.
401.	IUA	4.29	With regard to solo entities that are licensed in the EEA,	3rd country undertakings sited in EEA

	(International Underwriting Association of London)		but are part of non-EEA groups, the assessment of group risks should be proportionate. Complex and detailed reporting requirements should not be imposed when alternative measures are available.	are under SII system and they have to prepare a group ORSA at the ultimate community level. Reporting to the supervisory authority is not the main issue here. It is important for the sound and prudent management of the undertaking that a solo entity takes into account in its ORSA that being part of a group is not only advantageous but may carry risks as well.
402.	Legal & General Group plc	4.29	The meaning of this sentence could be clarified by changing "include" to "consider"	Agree
403.	Deloitte	4.30	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.	Agree. But EIOPA will not deviate from the Solvency II terminology.
404.	CEA	4.30	Please refer to paragraphs 4.19 and 4.20 with regards to risk mitigation and techniques.	Noted.
IRSG	IRSG	4.31	We suggest to precise the point b) to include here insurance frauds and operational risks	Disagree EIOPA will not include this level of detail. The list does not include the "normal" risks that need to be included and that EIOPA would expect undertakings not to "forget" anyway. Insurance fraud and operational risks should be covered as part of these

				"obvious" risks.
405.	AMICE	4.31	Letter (c) is overly detailed; beyond the "quality of processes and inputs", it is completely repetitive to letter (b) since the system of governance is one of the systems included in letter (b).	Some changes have been added to clarify these issues
406.	Association of British Insurers (ABI)	4.31	This paragraph is helpful. However, we suggest that in subparagraph (g), 'methodology' should be added after the reference to 'valuation basis'. This will clarify that the methodology should be consistent, although actual numbers may differ as a result of varying parameters.	Some changes have been added to clarify these issues
407.	CEA	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>	Some changes have been added to clarify these issues
408.	FEE	4.31	g) see 3.40. This requirement needs to be specified for insurance groups with material parts of business / risk profile in third country regimes / non-EEA.	Non-EU subsidiaries sited outside the EU, are not subject to SII so there is no obligation for them to elaborate the solo ORSA, but they should contribute to the single ORSA as part of the group.
409.	KPMG ELLP	4.31	a) Solvency II requirements require insurers to invest in assets whose risks it can properly assess and manage, especially concerning the use of more complex and less transparent classes of assets and investment in markets	

			<p>or instruments that are subject to less governance or regulation. This should make solvency needs in relation to these investments easier to determine.</p> <p>However, further analysis is likely to be beneficial. For example, consistent requirements relating to special purpose vehicles, hedge funds, derivatives, private equity, structured credit products, insurance linked instruments, hybrid instruments that embed derivatives and dynamic hedging programs all come under the banner of 'inherently risky' financial instruments that are likely to require greater scrutiny by both firms and supervisors. The risks within these investments need to be properly understood to enable solvency needs in relation to them to be determined.</p> <p>It may be helpful if firms were required to undertake specific analysis of such instruments within their ORSA assessments with particular regard to whether such assets lead to an increased systemic risk scenario.</p> <p>g) The need for consistent valuation basis needs to be expanded, especially as regards the non-EEA, non-insurance parts of an insurance group.</p>	<p>In EIOPA's view the first is implicit while the second cannot be required without a legal basis.</p> <p>Every ORSA (solo, group, single orsa) must have a consistent valuation basis, and there's no need to mention it.</p>
410.	Legal & General Group plc	4.31	<p>This paragraph is helpful</p> <p>However in (g) add "methodology" after basis. This will clarify that the methodology should be consistent, although actual numbers may differ as a result of varying parameters</p>	<p>Noted</p> <p>See comment no. 406.</p>
411.	Association of British	4.32	<p>Management actions should be fit for purpose. In respect of financial effects, it would be helpful here to require only the indicative impact that they would be expected to</p>	<p>EIOPA does not consider it necessary to clarify this explicitly.</p>

	Insurers (ABI)		have, given that the prospective nature of such actions would – by definition – render them as estimates.	
412.	Deloitte	4.32	<p>Comment:</p> <p>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):</p> <p>“(...) 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>	EIOPA agrees but considers this matter-of-course.
413.	Legal & General Group plc	4.32	Management actions should be fit for purpose. In respect of financial effects, it would be helpful here to require only the indicative impact that they would be expected to have.	See comment no. 411.
414.	AMICE	4.33	In addition to our comment on par. 3.25, some of our members would appreciate acknowledgement that the time horizon for business planning is rarely identical with (and may differ considerable from) the time horizon for which cash flows can be projected.	If this were true, calculation of the SCR according to the Standard Formula would not be possible.
415.	Deloitte	4.33	<p>Comment:</p> <p>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):</p> <p>“The undertaking’s assessment of the overall solvency</p>	EIOPA does not believe it will come to that.

			needs should be forward-looking and at least cover all years of the business planning period.”	
416.	ECIROA	4.33	Please see general comments above. 3-5 years should be sufficient for captives.	Noted.
417.	CEA	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.	Noted.
418.	Legal & General Group plc	4.33	The forward looking approach should be detailed over year 1 and be more indicative (with sensitivity) over longer periods	Could well be, but not as a general rule.
IRSG	IRSG	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, if required, 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>	<p>Partially agree.</p> <p>An undertaking in a winding-up situation does not have to consider the going concern question in the same way.</p> <p>EIOPA has included “if appropriate”.</p>
419.	AMICE	4.34		
420.	Deloitte	4.34	<p>Proposed new wording (change is highlighted in green):</p> <p>“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</p>	Partially agrees – the text has been amended accordingly

			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."	
421.	CEA	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, if required, 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>	<p>It does not, but the forward looking perspective will in most cases be very different from a going concern.</p> <p>EIOPA agrees and has changed to sentence, but used "where appropriate" instead of "required"</p>
422.	KPMG ELLP	4.34	<p>Is there an expectation that the emerging risk process should be included in this forward-looking process? If yes, then it would be worth setting out this expectation.</p>	<p>For undertakings who consider this to have a potential impact on their risk profile, yes. But in that case EIOPA will argue that it is implicit.</p>
IRSG	IRSG	4.35	<p>Only significant changes and new business plans with a significant impact on the risk profile should need to be reflected (cf. references to Article 102 (1) subparagraph 4 in 4.40, 4.49 and 4.62).</p>	<p>Disagree</p> <p>Significant changes to the risk profile require a new ORSA anyway, this is to check whether there is an impact on capital needs not to quantify an impact that is sure to be there.</p>
423.	AMICE	4.35	See our comments on 3.25	

			<p>Scenario testing is a complex and burdensome process; testing “a range of scenarios” may well go beyond the capacity of small and medium-sized non-complex insurers. Replacing “a range of possible scenarios” with “relevant scenarios” allows the undertaking (which is after all responsible for applying proportionality to its ORSA) to make a useful decision about the relevance of alternative scenarios.</p> <p>We are disappointed that it is only in par 4.38 that proportionality is mentioned in the explanatory text on Guideline 10. Mentioning proportionality only in the context of stress testing scope and frequency is not sufficient.</p>	<p>It is to a degree play with words, but the use of the word “possible” is intended to encourage undertakings to take a slightly wider approach than what they consider “relevant”.</p> <p>Noted.</p>
424.	CRO Forum	4.35	<p>This should be clarified so as not to imply that with every update of the business plan i.e. change in forecast a new ORSA capital assessment has to be performed.</p>	<p>EIOPA will expect any changes in forecasts or plans that have a potential impact on risk profile or capital requirement, to be reflected in the next upcoming ORSA. If such changes are significant and they materialize long before the next ORSA is planned, a non-regular ORSA must be performed.</p>
425.	CEA	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>	<p>A range of possible scenarios for the plan is hardly “an unlimited amount of tests.”</p> <p>See comment no. 423.</p>

426.	Groupe Consultatif	4.35	<p>It is not clear what what “range of possible scenarios” will be required to be tested against the business plan. Suggestion – Provide further clarifications.</p> <p>The better wording would be “relevant scenarios for the plan have to be tested”.</p>	See comment no. 423.
427.	CEA	4.36	<p>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.</p>	As this is about the forward-looking perspective EIOPA considers this to be implicit.
428.	Groupe Consultatif	4.36	<p>Guidance on how to link “external factors” to the assessment of overall solvency needs would be helpful.</p>	This would entail explaining how to do something in practice which is generally something EIOPA has no intention of doing.
429.	Deloitte	4.37	<p>Proposed new wording (change is highlighted in green):</p> <p>“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 decide on its own reasonable methods, assumptions, parameters, dependencies or levels of confidence to be used in the projections.”</p>	Agree – has been changed accordingly
430.	CEA	4.37	<p>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 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</p>	<p>That follows from 4.6.</p> <p>See comment no. 429.</p>

			its own reasonable methods, assumptions, parameters, dependencies correlations or levels of confidence to be used in the projections.	
431.	Groupe Consultatif	4.37	Will each individual undertaking be required to demonstrate that the methods, parameters, dependencies of levels of confidence used in the projections are reasonable. Suggestion – Provide further clarifications	If questioned, yes. Since this is very clear from Art. 45(2) of Directive 2009/138/EC, EIOPA does not intend to repeat is here.
IRSG	IRSG	4.38	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. Suggested text: “undertakings should carry out any of the following...”	Disagree Not using such tests and analyses at all or just using either is not an option and EIOPA does not want to give that impression with the suggested wording. Undertakings have flexibility in the decision of the extent to which tests and analyses are necessary given their risk profile.
432.	Deloitte	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.”	Agree – has been changed accordingly
433.	CEA	4.38	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	Please refer to the last sentence which clearly refers to the principle of proportionality. EIOPA does not consider that it could be appropriate to conduct no tests/analysis of any kind at

			<p>given their risk profile.</p> <p>Suggested text: "undertakings should carry out any of the following:?"</p>	all.
434.	KPMG ELLP	4.38	Is it worth making clear that reverse stress tests are not about capital per se but about what you can learn from the business and the vulnerabilities of your business model.	That is getting too specific.
435.	Partnership Life Assurance Company Limited	4.38	Will there be any additional guidance on the nature of stress and scenario tests that could be undertaken as part of the ORSA process?	Not in the context of ORSA. The presumption is that the undertaking is in the best position to design stresses that fits its risk profile.
IRSG	IRSG	4.39	<p>This seems to be very onerous for users of the standard formula</p> <p>It is unlikely that smaller undertakings will use internal models and the proportionality principle must be considered.</p>	The Solvency II regime requires good capital management for undertakings to be able to comply with regulatory requirements. However, this does not imply that a) (internal) models are necessary or b) the principle of proportionality does not apply.
436.	AMICE	4.39	MMA: Members would appreciate an explanation or examples of the case mentioned under item (b).	EIOPA notes that the text is unclear and has redrafted the explanatory text accordingly to make clear that an increase in the SCR will have an effect on eligible own funds due to the operation of the limits.
437.	Association of British Insurers (ABI)	4.39	It is not clear what sub-paragraph (b) means. Clarity could be improved through the introduction of a brief worked example.	See comment to no. 436.

438.	Deloitte	4.39	<p>Comment:</p> <p>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.</p>	<p>The ORSA policy refers to processes/procedures that an undertaking has in place to conduct the ORSA – specific reference is not needed.</p>
IRSG	IRSG	4.40	<p>While reference to Article 102 (1) subparagraph 4 in the last sentence is not wrong, this reference would be more appropriate under Guideline 13 and could be added at the end of 4.49.</p>	<p>Article 102(1) subparagraph 4 has no connection with Guideline 13. The reference to Article 102(1) in the paragraph is only to stress that there is a limit to the discretion of the undertaking to decide on the frequency of the calculation of the SCR on account of the requirement in that article.</p>
439.	AMICE	4.40	<p>Our members are made suspicious by the particular emphasis here that “continuous compliance does not constitute an obligation to recalculate the full regulatory capital requirements all of the time”. This is already clearly spelt out in Rec 36 and Art. 46(7) of L1.</p>	<p>This was only added to provide additional clarity.</p>
440.	BW	4.40	<p>The continuous monitoring may be challenging if the business is written via third party distribution channels as there may be delays in receiving the relevant information.</p>	<p>It is anticipated that the undertakings are responsible for monitoring all of their business and this will include having sufficient controls and processes in place over third parties to ensure that this is possible in an appropriate and timely manner.</p>
441.	CNA Insurance Companies	4.40	<p>While we welcome additional clarity regarding the frequency of ORSA, the requirements of Guideline 11 around compliance with regulatory capital requirements in the context of ORSA needs further clarification. As written, this guidance seems to create an inconsistency between the frequency of ORSA and the requirements to</p>	<p>These decisions are at the discretion of the undertaking.</p>

			continuously monitor solvency through the ORSA process.	
442.	CEA	4.40	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.	An undertaking must be in continuous compliance with regulatory capital requirements. The ORSA is designed to show how an undertaking intends to monitor this compliance.
443.	CRO Forum	4.41	Stress and scenario appears unnecessarily duplicated in a number of areas of the text. In our view, this is sufficiently addressed in guideline 9.	References to stress scenarios are made to clarify that an undertaking should be considering its own fund position relative to potential stressed scenarios.
444.	Deloitte	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).	EPIFP, to the extent that it reduces Technical Provisions, can impact on own funds and so it is appropriate that it is included in the considerations of the own fund positions of an undertaking.
445.	CEA	4.42	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.	The decision to have such a policy would be at the discretion of the undertaking.
446.	Deloitte	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.	See comment no. 444.
447.	CEA	4.43	Please refer to paragraph 4.42 on EPIFP.	See comment no. 444.

448.	FEE	4.43	For the points a) to c) a close reconciliation of the risk management function with the AMSB is necessary. The assumed assumptions regarding capital management and dividends planning should be approved by AMSB.	EIOPA agrees and this relationship will be detailed in the guidelines on governance.
449.	AMICE	4.45	The adequate "available timeframe for remedial actions" should – notwithstanding the L1 text – be judged in accordance with the characteristics of the business of the undertaking, notably in the case of very long risks (such as in pension insurance).	EIOPA agrees that clarity could be added to 4.45.
450.	Deloitte	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?).	EIOPA has deleted the text which was by way of introducing the following paragraph.
451.	CEA	4.46	This is a requirement of the framework directive. We do not understand its relevance in the context of Level 3 guidance.	See comment no. 450.
452.	Gibraltar Insurance Association	4.46	What does this mean? Does this mean that technical provisions (ie UEP and claims provisions) need to be calculated on a discounted cash flow basis for monthly and quarterly management accounts? Or does this refer solely to the ORSA process? If this does not refer to how the provisions are calculated, then what requirements need to be complied with?	See comment no. 450.
453.	Groupe Consultatif	4.46	Recommend: The concept of compliance with requirements at all times needs to be clarified when applied to technical provisions. Our interpretation is that the undertaking has to	See comment no. 450.

			<p>permanently have a good view of its technical provisions as defined under Solvency II. Subsequently:</p> <p><input type="checkbox"/> A full calculation has to be performed regularly;; this full calculation has to be compliant with the requirements set out in the regulatory texts. The frequency of the full calculations should depend on the volatility of the technical provisions.</p> <p>Between these full calculations, the undertaking needs to monitor the external and internal factors that drive the level of technical provisions, in order to understand whether their evolution could lead to a significant change in the level of technical provisions, and subsequently whether a full recalculation is needed.</p>	
454.	Deloitte	4.47	<p>Comment:</p> <p>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>	There is no actuarial function under the current regulation. The difference to the current system with regard to technical provisions is that with the continuous compliance being explicitly required, there needs to be monitoring between full calculations.
455.	Gibraltar Insurance Association	4.47	<p>Same as above. Also, how does the actuarial function interact with proportionality? Does this mean that even the smallest firm needs a full time in-house actuary? This is a very unclear area not just relevant to the ORSA, but relevant to the actuarial function requirements as a whole.</p>	It is necessary to have the function (in the sense of Solvency II, where a function "is an administrative capacity to undertake particular governance tasks" cf. Recital 31 of Directive 2009/138/EC). Article 48(2) also states that the actuarial function does not have to be performed by an actuary in the strict sense of the expression. A full time in-house person is not necessarily required.
456.	Groupe Consultati	4.47	<p>Recommend: As per comment on 3.27 - - the continuous compliance of technical provisions is covered</p>	Art. 45(1)(b) of Directive 2009/138/EC explicitly states that the assessment of

	f		within the normal governance of a company and therefore does not need to be specified in the context of the ORSA	the continuous compliance with the requirements for the calculation of technical provisions is part of the ORSA.
457.	AMICE	4.48	Some of our members seek clarification to what risks "arising from the calculation of the TP" are addressed in this paragraph.	EIOPA do not give examples and believes that the undertaking should know this.
458.	Deloitte	4.48	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?).	See comment no. 454.
459.	CEA	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.	See comment no. 457.
460.	FEE	4.48	Clarification necessary, if the annual report of the actuarial function in terms of Solvency II can be covered by the ORSA report itself (chapter for technical provisions).	No, it cannot. The scope of the ORSA report is not the same as that of the actuarial report. This does not prevent each one from making cross-references to the other, but while the actuarial function's report focuses on the reliability and adequacy of the calculation of technical provisions, the ORSA report will refer to the continuous compliance with requirements on technical provisions, among other aspects. Besides, it is expected that they are prepared in the context of different functions - i.e. the

				risk management and the actuarial functions.
461.	Gibraltar Insurance Association	4.48	As above	See comment no. 455.
462.	Groupe Consultatif	4.48	As per comment on 3.27 - - the continuous compliance of technical provisions and risks arising from the calculation are covered within the normal governance of a company and therefore does not need to be specified in the context of the ORSA	See comment no. 456.
IRSG	IRSG	4.49	Add reference to Article 102 (1) subparagraph 4 at the end by way of shifting the last sentence of 4.40 to this place: "A full calculation is in any case required if the risk profile changes significantly according to Article 102 (1) subparagraph 4."	See your comment no. 4.40. Article 102(1) subparagraph 4 has no connection with Guideline 13. The reference to Article 102(1) in the paragraph is only to stress that there is a limit to the discretion of the undertaking to decide on the frequency of the calculation of the SCR on account of the requirement in that article.
463.	Deloitte	4.49	Comment: A definition of the risk profile would be useful to guide undertakings in the analysis mandated in this guideline. 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."	EIOPA disagrees with the definition of risk profile (even if a definition was to be provided, this is something not specific to this paper). And the GL only refers that the deviation may initially be assessed qualitatively. Of course if it can be assessed in a more quantitative way, it should be the way forward. But we cannot prescribe exactly how Undertakings should do that.

			<p>Comment:</p> <p>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:</p> <p>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.</p> <p>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>	<p>Risks not included in the SCR should insofar as they are material be included in the overall solvency needs assessment. However, it cannot be assumed that they will be covered separately from risks covered in the SCR.</p> <p>No, it would not be expected to do so directly itself. The undertaking cannot take risks not covered in the standard formula or the (partial) internal model into consideration in the SCR as this would entail a deviation from the standard formula or the internal model that is not allowed. The significant deviation would be taken into account by a SF user developing a (partial) internal model or the IM user adapting the internal model or - if it is not appropriate to require a SF user to develop a (partial) internal model - by</p>
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				a capital add-on set by the supervisory authority.
464.	CEA	4.49	Please refer to paragraph 3.28 regarding deviation from assumptions underlying the SCR or system of governance.	Noted.
465.	Groupe Consultatif	4.49	For entities using the standard formula it will be difficult for AMSBs to challenge the assumptions behind the SCR beyond an overall view that the risks tested under the standard formula are representative of the risks facing that entity. In addition, specific statements would be welcome in such guidelines concerning how sovereign debt should be dealt with.	The AMSB is not expected to challenge the assumptions underlying the SCR calculation. It can only challenge the assessment concerning the significance of any deviations.
IRSG	IRSG	4.50	It seems to be absolutely necessary to support users of the standard formula in carrying out 4.49, as far as it does not imply to justify the use of the standard formula.	Under Article 45(1)(c) undertakings have to assess the deviations of their risk profile from the assumptions underlying the standard formula
466.	AFM	4.50	In the UK, insurers have already been required to elect whether they will be utilising the standard formula or alternatively will be seeking internal model approval. Since the date by which this decision had to be made, there have been significant changes to the standard formula and negotiations are still ongoing in several areas. During this period, those insurers that elected to use the standard formula have been striving to keep abreast of developments in order to assess whether their evaluation of the risk profile of the company equates with the standard formula. As a consequence it is considered that it would be of value to publish the current position of the assumptions underlying the formula as soon as possible but acknowledging that this is subject to change as negotiations continue. This will then at the very least give those insurers that have elected to use the standard formula a point of reference by which to reassess their	Noted. EIOPA is very much aware that this is important information for undertakings and is currently working hard on providing it as soon as possible.

			positions and enter into dialogue with their home nation regulator if considered necessary.	
467.	AMICE	4.50	See comments on par 3.28.	Noted.
468.	Association of British Insurers (ABI)	4.50	Paragraphs 4.50 to 4.54 relate to Standard Formula users. There should be a heading above paragraph 4.50 to this effect. This would be consistent with the approach adopted for Internal Model users (i.e. the heading above paragraph 4.55).	EIOPA has no intention of changing this as it is clear from the paragraphs that they are specific to Standard Formula users.
469.	Deloitte	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.	See comment no. 467.
470.	Gibraltar Insurance Association	4.50	See points on this above. The usefulness of this will depend entirely on the user-friendliness of the information that will be provided by EIOPA regarding the SCR assumptions. If this is all in "airy-fairy" consultancy and actuarial speak, smaller entities will still flounder.	Noted. EIOPA generally strives not to be "airy-fairy" even when a topic gets very technical.
471.	Groupe Consultatif	4.50	We believe undertakings would benefit to receive information on the assumptions on which the SCR calculation is based as soon as possible.	See comment no. 467.
472.	Legal & General Group plc	4.50	Paras 4.50 to 4.54 relate to Standard Formula users. There should be a heading above para 4.50 to this effect.	See comment no. 468.
IRSG	IRSG	4.51	A lot of users of the standard formula do not understand the mathematical framework in its whole complexity. They will face very significant challenges to carry out all these estimations.	Noted
474.	Deloitte	4.51	Comment: We believe that guidelines on the definition of "material deviations" would be helpful.	EIOPA wants the undertakings to explain why they do or do not consider certain deviations to be material.

475.	CEA	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?	The explanation of the assumptions underlying the standard formula will be provided, however it would not be possible for EIOPA to prove the appropriateness of the assumptions towards the individual risk profile because it is case by case. The standard formula is supposed to be adequate to a "EU representative undertaking", but this is something to be analysed case by case.
476.	Groupe Consultatif	4.51	Depending in the interpretation of this paragraph, it could lead to an onerous level of assessment for standard formula users. Are simplifications allowed? Will this encourage more companies down the internal model route? In addition, we believe that guidelines on the definition of "material deviations" would be helpful.	Noted. See also comment no. 475 on the definition of "material deviations"
477.	CEA	4.52	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. The ORSA should not be used in determining an undertaking's regulatory capital requirement.	Noted. This idea is stated in the explanatory text. The non-reference to a capital add-on is on purpose. Additionally, the idea of the ORSA is not to determine the capital requirement, but to assess its adequacy.
478.	Gibraltar Insurance Association	4.52	(b) – What does this mean? Do we simply assume that we have higher rated insurers or investments and see what SCR the standard formula calculates on that basis? (c) – How can we assess how sensitive the standard	Disagree. EIOPA thinks that b) is clear and that the parameters mentioned in your comments are some out of many that

			model is to the main parameters when we cannot change the main parameters (unless we are using USP's)?	could be stressed in order to determine the sensitivity of the standard formula. It is possible to change the parameters as long as it is not in an official calculation of the SCR.
479.	Groupe Consultatif	4.52	Putting this guideline in perspective, it seems that lots of detailed required, how will the principle of proportionality be applied here? The areas that require due consideration should be reworded to "risks that are not considered in the standard formula and from risks that are materially under/overestimated by the standard formula compared to the risk profile". Especially, specific statements would be welcome in such guidelines concerning how sovereign debt should be dealt with.	Proportionality deals with how the requirement is to be complied with not if it needs to be complied with. Since deviation can add up it is not sufficient to only consider materially under/overestimated risks.
480.	ILAG	4.52	This could be an extensive process for a smaller insurer unless EIOPA give a full and detailed analysis of the work carried out to set the standard formulae. Most firms will align themselves with the 1:200 over 1 year risk profile. We need to see the documentation that EIOPA will provide here to allow us to judge whether this requirement is reasonable for a smaller (or even medium sized) firm. Again, 5.42 states that this work should be qualitative rather than quantitative.	Noted.
481.	BW	4.53	We think that the principle of proportionality should apply.	Noted. The principle of proportionality is always applicable.
482.	Deloitte	4.53	Comment: We believe that a clear definition of "de-risk" would be helpful.	It means: "reduce the undertaking's risks".
483.	CEA	4.53	The undertaking should be in charge of determining	Capital strength has nothing to do with

		<p>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 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</p>	<p>the significance of the deviation.</p> <p>Since a significant deviation could result in the development on in internal model being required or a capital add-on being set EIOPA considers that de-risking is an option that undertakings may well want to take.</p> <p>This would not be in line with the draft Level 2 text which correctly does not take solvency ratio into account. The solvency ratio (which is public information!) would no longer be correct, if a necessary upward adjustment of the SCR to capture all the risks the undertaking is exposed to would not take place on account of a good solvency ratio. Anyway what is the required capital has nothing to do with what the available capital is.</p> <p>The Guideline already makes this clear.</p> <p>Using a qualitative assessment first is an option (“may”) not a requirement. The undertaking can chose to perform a quantitative assessment right away.</p>
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			<p>qualitative and/or 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>	
484.	EST	4.53		
485.	Groupe Consultatif	4.53	A clear definition of "de-risk" would be appreciated. If this paragraph is interpreted "as is", its application would almost systematically compel undertakings to develop a partial internal model.	Noted. See comment no. 482.
486.	KPMG ELLP	4.53	It seems unrealistic to force a company to de-risk if it does not have the resources to build an internal model and seek to get that approved. This could fundamentally alter the market and stifle innovation. EIOPA should carefully consider this and other courses of action such as voluntarily holding higher capital levels for the products.	De-risking is named as an option not as a requirement. Such option would not be imposed by the supervisory authority, this is just an option that the undertaking may take on board.
487.	MACIF ŻYCIE TOWARZY STWO UBEZPIEC ZEŃ WZAJEMN YCH	4.53	How "significant deviations" will be measured? Who will decide that "significant" is significant?	Ultimately the decision is up to the supervisory authority but for the purpose of the ORSA assessment the undertaking will have to determine significance.
488.	Associatio	4.54	We suggest that a more qualitative approach to	A qualitative assessment is sufficient

	n of British Insurers (ABI)		explaining why the assessments suggest different capital needs but are both appropriate to the risk profile, would suffice in certain situations (i.e. an appropriate application of the principles of proportionality and materiality).	unless this indicates a significant deviation in which case quantification is required.
489.	Deloitte	4.54	Comment: We suggest to clarify whether it is necessary for the undertaking to perform a reconciliation considering a) to c).	Disagree. EIOPA considers that paragraph 4.54 is clear enough in stating that a full quantitative reconciliation might not be possible.
490.	CEA	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.	Noted.
491.	Association of British Insurers (ABI)	4.57	Ensuring that the internal model appropriately reflects the risk profile forms part of the ORSA by virtue of Article 45(1)(c). Ensuring broader compliance with the tests and standards is part of the validation process of the internal model. The AMSB and senior management will clearly want comfort from the validation process that internal model input into the ORSA can be relied upon. However, the guidance should make quite clear that the validation of an internal model is not a requirement contained within the ORSA per se, but a benefit of the process. This should be made clearer in the drafting.	Noted.
492.	Deloitte	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	ORSA gives input to the demonstration of tests and standards. Undertakings should be able to demonstrate on-going compliance in any case.

			process that verifies the compliance with the tests & standards.	
493.	CEA	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>	<p>ORSA can be a tool used to help assessing compliance by undertakings.</p> <p>EIOPA does not understand this comment. There is nothing in this paragraph or indeed anywhere else in these Guidelines and Recommendations to suggest such a preclusion.</p>
495.	RSA Insurance Group	4.57	The task of ensuring that the internal model appropriately reflects the risk profile forms part of the ORSA by virtue of Article 45(1)(c)). The task of ensuring broader compliance with the tests and standards is part of the validation process of the internal model. The AMSB and senior management will clearly want comfort from the validation process that internal model input into the ORSA can be relied upon. However, we believe that characterising internal model validation as an integral part of the ORSA is unhelpful as it obscures the principal purpose of the ORSA.	<p>Noted.</p> <p>The Explanatory Text was redrafted and rearranged in order to clarify the validation requirements.</p>
496.	Association of British Insurers (ABI)	4.58	The demonstration that the ORSA continues to be appropriate for an insurer's risk profile should be part of the Use Test; if this is the intent then the explanatory text should explicitly state this. There should not be a requirement to undergo some different method of compliance each year, which would add additional and onerous requirements on internal model firms.	ORSA can be a tool used to help assessing compliance with use test.
497.	CEA	4.58	Please refer to paragraph 4.57.	ORSA can be a tool used to help assessing compliance with use test.

			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.	
498.	CRO Forum	4.59	We welcome this statement.	Noted.
499.	CEA	4.59	We support EIOPA's comment that there should be no repetition of the same tasks.	Noted.
500.	CEA	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.	Noted. Paragraph has been redrafted for clarification.
501.	Association of British Insurers (ABI)	4.61	Sub-paragraph (b) is omitted.	Noted
502.	CRO Forum	4.61	e) the impact of minor changes to the model is captured and reported to management and supervisory authorities through the model changes reporting as required and we do not see the benefit of systematically replicating this in ORSA.	ORSA can help in this process.
503.	CEA	4.61	We propose that the below paragraph is amended: e) the impact of minor changes done to the model are	ORSA can help in this process.

			<p>captured and reported to AMSB and supervisor through reporting requirements on the model changes.</p> <p>We do not see the benefit of systematically replicating this in ORSA.</p>	
504.	Legal & General Group plc	4.61	Sub-paragraph (b) is omitted	This formatting error has been corrected.
IRSG	IRSG	4.62	Add at the end: "A full calculation is in any case required if the risk profile changes significantly according to Article 102 (1) subparagraph 4." – this sentence was taken from 4.40 and added to 4.49 and here.	The sentence has no connection to the content of the paragraph.
505.	Deloitte	4.62	<p>Comment:</p> <p>We believe the message of the article is unclear ("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").</p>	Disagree.
506.	CRO Forum	4.63	This requirement is already captured through 4.57 and on-going compliance with internal model tests and standards. Articles 4.64 to 4.68 are somewhat contradictory with 4.58 and 4.59 especially 4.65. We do not see the benefit of detailing this here.	Disagree. This gives further explanation.
507.	CEA	4.63	Please refer to paragraph 3.28 regarding deviation from assumptions.	Noted.
508.	CEA	4.64	Please refer to paragraph 4.52 regarding application of	Noted.

			regulatory capital add-ons.	
509.	Association of British Insurers (ABI)	4.65	<p>The guidelines could usefully clarify that the ORSA report could simply cross-refer to the internal model validation report.</p> <p>As per our comments to 4.58, the demonstration that the ORSA continues to be appropriate for an insurer's risk profile should be part of the Use Test; if this is the intent then the explanatory text should explicitly state this. There should not be a requirement to undergo some different method of compliance each year, which would add additional and onerous requirements on internal model firms.</p>	ORSA can help in the process. The Explanatory Text has been redrafted and rearranged in order to clarify the link to validation.
510.	CEA	4.65	<p>Please refer to paragraph 4.58 for comments on the Use Test</p> <p>EIOPA's explanatory text should clarify that it is possible to provide a cross-reference to the internal model validation report.</p>	See comment no. 509.
511.	RSA Insurance Group	4.65	There is an overlap here with validation. The Guidelines could usefully clarify that the ORSA report could simply cross-refer to the validation report.	See comment no. 509.
512.	CEA	4.66	The paragraph should be deleted. Any model errors should be addressed as part of a fast track validation process.	Agree - The paragraph has been deleted,
513.	Groupe Consultatif	4.66	Please provide clarification on the definition of "model error" and the purpose of the paragraph. To our understanding model errors are addressed by the model	Agree - The paragraph has been deleted,

			validation. The paragraph does not add any new value and can be deleted.	
514.	CEA	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."	Agree - The paragraph has been deleted,
515.	Groupe Consultatif	4.67	See 4.66	Noted.
516.	Deloitte	4.68	Comment: We would suggest to include additional guidance on "how" questions related to the stress testing and scenario analyses.	EIOPA has no intention of providing guidance on any "how" questions.
517.	Deloitte	4.69	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. Proposed new wording: "The business planning process and the ORSA process are aligned and go hand in hand in order to allow consistency	The link is there all right but this is not the aspect EIOPA wants to stress here. The "circular loop" is more that business planning affects the ORSA assessments for overall solvency needs and the continuous compliance with the SCR and the ORSA affects business planning by forcing undertakings to consider the consequences of strategic decisions in terms of overall solvency needs and regulatory capital requirements.

			of both the business and the risk objectives of the Undertaking.”	
518.	CEA	4.69		
519.	CEA	4.70	<p>EIOPA include many different concepts in this, and subsequent paragraphs, which we believe go beyond the underlying purpose of the guideline.</p> <p>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.</p> <p>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.</p>	<p>EIOPA does not agree that the referred paragraph goes beyond the guideline.</p> <p>Agree.</p> <p>EIOPA agrees that the ORSA is an undertaking’s process. This does not however prevent it from addressing the regulatory capital requirements , as one of the objectives underlying the ORSA is to compare them with what the undertaking considers as its overall solvency needs.</p>
520.	CEA	4.71	<p>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.</p> <p>We support that EIOPA make reference to materiality in terms of the overall affect on risk and/or own funds</p>	<p>That is the reflection as explained by EIOPA.</p> <p>Being aware of the implications</p>

			<p>position of the undertaking. However we believe that materiality should also be considered in terms of implications on strategy.</p> <p>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.</p> <p>We would therefore propose the following redrafting:</p> <p>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...”.</p> <p>Product development and design is usually, but not always, immaterial in the context of the ORSA results.</p>	<p>strategic decisions have on the risk profile etc. covers being aware of how big the effect would be, i.e. whether it would be material or not.</p> <p>Undertakings have to consider the consequences product development and design have on their overall solvency needs and regulatory capital requirements. This is not just a question of whether the new products are affordable but also of whether they are really desirable given their impact on capital needs.</p>
521.	Deloitte	4.73	<p>Comment:</p> <p>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>	<p>A significant change in the risk profile is assessed qualitatively. The change is significant if it could have a material impact on the ORSA – which is why the requirement to perform a new ORSA. The quantitative effect will become clear once the ORSA has been performed.</p>

522.	Partnership Life Assurance Company Limited	4.73	It would be helpful to clarify the timescale referred to by 'directly following any significant change in the risk profile of the undertaking'.	The undertaking would need a very good explanation for taking longer than two weeks maximum from observing the significant change to prepare the start of the performance.
523.	AMICE	4.74	We do not understand this sentence. See also our request for further guidance on the appropriate timing of the ORSA in relation to the (financial) reporting cycle.	EIOPA think it is clear – see comment 522.
524.	Association of British Insurers (ABI)	4.74	It is unclear what this sentence means. Clarification is needed here.	See comment no. 523.
525.	FRC	4.74	We do not understand this paragraph. The SCR will typically be calculated at the end of an undertaking's financial year although we note that a material change in the risk profile triggers a recalculation. Does this paragraph require that, when an undertaking decides that it will perform its regular ORSA more frequently than annually, it must also recalculate its SCR? Given the work required to perform an SCR this might discourage undertakings performing a regular ORSA more frequently than annually.	See comment no. 523.
526.	Groupe Consultatif	4.74	It is unclear what this sentence means. To our understanding it wants to point out that a regular ORSA has to trigger a SCR calculation.	See comment no. 523.
527.	Legal & General Group plc	4.74	Clarification is needed here If this calculation of the SCR forms part of the regular ORSA process, it follows that the regular ORSA must be undertaken on an annual basis	See comment no. 523.
528.	RSA	4.74	It is unclear what this sentence means.	See comment no. 523.

	Insurance Group			
IRSG	IRSG	4.75	Does the first sentence intend to make reference to Article 102 (1) subparagraph 4? In any event, the term "non-regular ORSA", if maintained, should be highlighted better as an important definition (e.g. in 3.14).	The reference is to Art. 45(5) of the Directive. Noted. The definition is not mentioned up front because the term is not mentioned several times. For a reader who knows Art. 45 of the Directive the meaning of the term should be obvious.
529.	Deloitte	4.75	<p>Comment:</p> <p>We agree on the guideline. But how about the current risk and solvency position. "To use their experience from stress tests and scenario analyses to determine whether changes in external factors could impact the undertaking's risk profile significantly."</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 	<p>A significant change in the risk profile triggers a non-regular ORSA. The change can be from internal or external factors. EIOPA thinks it needs clarification that external factors can also impact the risk profile and how undertakings are supposed to be alerted to the fact that such a change of an external factor could impact the risk profile.</p> <p>Examples of internal factors are named in the following paragraph.</p>
530.	CRO Forum	4.76	The guideline details the example that a start up of a new line of business will trigger an out of cycle ORSA report. However, we feel that this is too vague as some new lines of business will not have a significant impact on the risks/ capital requirements of the solo undertaking and/or group. Therefore we recommend the wording to change to 'start up of new line of business that potentially has a significant impact on the ORSA capital assessment'.	All examples are of internal factors that could impact the risk profile significantly.

531.	Deloitte	4.76	<p>Comment:</p> <p>We suggest to add as an example "internal model changes".</p> <p>Proposed new wording:</p> <p>"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>	<p>Agree – the sentence has been changed accordingly</p>
532.	CEA	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>	<p>EIOPA has re-drafted paragraphs 4.75 and 4.76:</p> <p>The ORSA performed after any significant change of the risk profile is called a non-regular ORSA. Such changes may follow from internal decisions and external factors. Examples of informal factors that could potentially impact significantly on the risk profile are: the start-up of new lines of business; major amendments to approved risk tolerance limits or reinsurance arrangements, portfolio transfers or major changes to the mix of assets. With regard to external factors,</p> <p>undertakings are expected to use their</p>

				experience from stress tests and scenario analyses to determine whether changes in external factors could impact the undertaking's risk profile significantly.
533.	Deloitte	4.77	<p>Comment:</p> <p>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:</p> <p>Regarding c) we suggest that additional guidance should be provided regarding the way "differences" should be handled.</p>	<p>Disagree</p> <p>Art. 212 of the Directive explains clearly the meaning of group.</p> <p>212."1. For the purposes of this Title, the following definitions shall apply:</p> <p>c) 'group' means a group of undertakings that:..."</p>
534.	CEA	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>	<p>Not accepted.</p> <p>Not accepted.</p> <p>(Same comment during pre-consultation period /dic 10/ and same answer)</p> <p>CEIOPS' Advice for Level 2 Implementing Measures on Solvency II: Assessment of Group Solvency /CEIOPS-DOC-52/093/:</p> <p>"3.232. The lessons learnt from the</p>

				<p>financial crisis illustrate the importance of group-specific risks, such as reputational risk, contagion risk, impact of intra-group transactions, operational risk and other group-specific risks.</p> <p>3.242 Contagion Risk</p> <p>Following the definition from IAIS,30 contagion risk is the risk that an individual entity will be adversely affected by the actions of another entity within the group due to the relationships, direct or indirect, that exist between them.”</p> <p>There´s no mention in the document. To additional requirement.</p>
535.	Association of British Insurers (ABI)	4.79	An example would aid understanding here, such as ‘firms should reflect any parental guarantees or other items that impact the group ORSA’.	Noted
536.	CRO Forum	4.79	It should be understood that information on a third country undertaking on solo level shall not be a direct section of the group reporting and disclosure obligations in the EU.	The sentence is enough clear. No further explanation is needed.
537.	Deloitte	4.79	<p>Proposed new wording (change is highlighted in green):</p> <p>“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</p>	Guideline was redrafted.

			ORSA, especially where the third country undertakings are managed separately from the wider group."	
538.	Legal & General Group plc	4.79	An example would aid understanding here, such as "Firms should reflect any parental guarantees or other items that impact the group ORSA"	Noted
539.	CRO Forum	4.80	Clarity should be provided on this point i.e. clarifying the intention of "take account of any restrictions or challenges to the assessment at group level that may arise from third country undertakings".	Disagree 4.80 gives an example on how to do it.
540.	CEA	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.	Disagree Art 214.2 "The group supervisor may decide on a case-by-case basis not to include an undertaking in the group supervision referred to in Article 213 where: (a) the undertaking is situated in a third country where there are legal impediments to the transfer of the necessary information, without prejudice to the provisions of Article 229;"
IRSG	IRSG	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. 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.	Disagree EIOPA does not consider that this very obvious fact needs clarification.
541.	Association of British	4.81	It is not made clear in this paragraph whether or not regulated non-(re)insurance undertakings are required to perform an ORSA (as opposed to paragraphs 4.79 and	Noted

	Insurers (ABI)		4.83, which state explicitly that the entities concerned do not need to perform an ORSA). A simple drafting change would address this ambiguity.	
542.	CRO Forum	4.81	These assessments are reported in the ICAAP document.	<p>Disagree</p> <p>Same comments during the pre consultation period (dic 2010) and same answer:</p> <p>If the banking group statements reflect the insurance results (cases of conglomerates), the insurance group statements could include banking references, reciprocally.</p> <p>There is a reporting form "additional capital adequacy" that includes: effective regulatory capital of the conglomerate, divided between insurance and banking; capital requirements of the conglomerate memorandum item divided between insurance and banking:</p> <p>Total balance sheet amount of insurance sector</p> <p>Total balance sheet amount of financial sector</p> <p>Ratio of the capital requirements of insurance sector to total capital requirements of group financial entities $(2.b/[2.a + 2.b]*100)$ (c)</p> <p>If the bank supervisor could demand those data, the insurance supervisor could do it to.</p>

543.	CEA	4.81	<p>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.</p> <p>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.</p>	The risks arising from these entities should be valued only for group ORSA purposes, because these entities contribute to the group solvency.
544.	CRO Forum	4.82	It seems very complex to include banking business within ORSA framework. We should be able to make reference to sectorial regulation. See previous 4.81	See comment on 543
545.	Deloitte	4.82	<p>Proposed new wording (change is highlighted in green):</p> <p>“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, (...)”</p>	Noted
546.	CEA	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.	See comment on 543
547.	Deloitte	4.83	<p>Proposed new wording (change is highlighted in green):</p> <p>“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.”</p>	Agree
548.	Deloitte	4.84	Proposed new wording (change is highlighted in green):	Agree

			<p>"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."</p> <p>Comment:</p> <p>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.</p>	
IRSG	IRSG	4.85	<p>The translation obligations under Guideline 17 seem overly burdensome. In any event, an English version of the supervisory report should be sufficient; no ORSA report is necessary for subsidiaries outside of EEA – please clarify explicitly. Likewise, non-regulated entities need not provide solo ORSA reports; overall "solo ORSA" and not "single ORSA" unless the difference is explained – applies to all the guidelines.</p>	<p>Disagree</p> <p>The translation may be necessary according to national law which in many cases does not allow for the submission of documents in other than the national language(s).</p>

549.	Association of British Insurers (ABI)	4.85	<p>We think the table regarding the group-wide ORSA is unclear. The last sub-section of the table ('Subsidiary not included in group-wide ORSA') implies that groups have the option to submit a partial group-wide ORSA which would include some subsidiaries and leave the others out as separate solos. Is this the intended interpretation?</p>	<p>Noted</p> <p>The table was changed and adjusted to the actual situation.</p>
550.	CRO Forum	4.85	<p>Guideline 17 (p.30) For group-wide ORSA "Single ORSA supervisory report submitted to all supervisors concerned" – It is recommended that the wording is amended to reflect the recommendation that where a group-wide ORSA is prepared, supervisors receive the group ORSA and any subsidiary information which relates to entities over which they regulate. The current wording may be implemented in a way which would dilute the incentives in terms of synergy and efficiency for large organisations to prepare group-wide ORSA reports. In addition, it may cause local legislative issues where a regulator receives information over entities where it has no supervisory powers.</p> <p>We would like clarification regarding the alternative options for submitting an ORSA regulatory report for a group with a parent undertaking outside the EEA, with solo undertakings within the EEA. Additionally, we would like to understand how this would differ in the case where the group is based in a jurisdiction with a framework recognized as equivalent to Solvency II.</p>	<p>Noted</p> <p>The table was changed and adjusted to the actual situation.</p>
551.	CEA	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>Noted</p> <p>The table was changed and adjusted to the actual situation.</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>	
552.	GNAIE	4.85	<p>GNAIE supports allowing the option of filing a single group wide ORSA report. We hope that this single ORSA approach will also be extended to third country based groups filing ORSA’s with their third country supervisors should the third country regime be deemed to be equivalent under Article 260. We would argue in the interest of equal treatment of all companies, this should be the case.</p>	<p>Noted</p> <p>The table was changed and adjusted to the actual situation.</p>
554.	CEA	4.88	<p>Suggested text: “ ...If they are identified as material, quantifiable and impacting own funds they will ...”</p>	<p>Disagree</p> <p>If a group specific risk affects the own funds, it must be include in the ORSA. The drafting suggestion excludes too many significant risks.</p>
555.	CRO Forum	4.89	<p>We do not agree that currency risk is a group specific risk. Currency risk is the same on legal entity and group</p>	<p>There is no mention in the text refer to additional capital requirements in the</p>

			<p>level and there is no difference in the assessment of currency risk between the two levels.</p> <p>Whilst contagion risk (spill-over effect of risks that have manifested in other parts of the group) is a group specific risk and is assessed in the Group ORSA, it is not a standalone risk. Rather, it is a consequence or a manifestation of standalone risks; there should be no requirement for a capital assesment on contagion risk.</p> <p>(e) It would be useful to provide examples of risks arising in the 'complexity of group structure' to ensure that undertakings are in line with these guidelines.</p>	<p>ORSA paper.</p> <p>Not accepted</p> <p>Strategic risk in not included in this version.</p> <p>CEIOPS' Advice for Level 2 Implementiing Measures on Solvency II: Assessment of Group Solvency /CEIOPS-DOC-52/093/:</p> <p>3.232. The lessons learnt from the financial crisis illustrate the importance of group-specific risks, such as reputational risk, contagion risk, impact of intra-group transactions, operational risk and other group-specific risks.</p> <p>3.242 Contagion Risk</p> <p>Following the definition from IAIS,30 contagion risk is the risk that an individual entity will be adversely affected by the actions of another entity within the group due to the relationships, direct or indirect, that exist between them.</p> <p>3.269.Currency risk at group level: needs to take into account the currency risk towards the currency of the groups consolidated accounts. Therefore, the local currency referred to in the currency risk calculation of the standard formula is the group currency for the calculation for the group SCR.</p>
556.	Deloitte	4.89	<p>Comment:</p> <p>"The group specific risks include at least:(...) risks arising</p>	Agree

			<p>from the complexity of the group structure.”</p> <p>We suggest illustrating this with operational, organizational, cultural, strategic risks.</p> <p>Proposed new wording:</p> <p>“The group specific risks include at least: (...)</p> <p>e) risks arising from the complexity of the group structure (including operational, organizational, cultural and strategic risks).”</p>	
557.	CEA	4.89	<p>This paragraph makes reference to group risks. Contagion risk is not a standalone risk 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 may 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</p>	See comment on 555

			<p>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>	
558.	Association of British Insurers (ABI)	4.90	The reference to 3.14 appears to be incorrect.	Agree
559.	CRO Forum	4.90	The comparison of the sum of the solo SCRs and the Group SCR does not necessarily give proper indication about the diversification effects. This comparison does not tell you the validity of the correlations and assumptions used by the undertaking it only provide a quantification of the difference. Therefore, it is not necessarily useful for management or supervisors. Therefore we propose a deletion of point b).	<p>Not accepted</p> <p>A specific content of Group ORSA, compared to Solo ORSA, refers to the analysis of diversification effects at group level from an entity perspective, in other words, to what extent each entity of the group contributes to the difference [Group SCR versus Σ Solo SCR].</p>
560.	CEA	4.90	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	<p>Disagree</p> <p>A specific content of Group ORSA, compared to Solo ORSA, refers to the analysis of diversification effects at group level from an entity perspective,</p>

			<p>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>	<p>in other words, to what extent each entity of the group contributes to the difference [Group SCR versus Σ Solo SCR].</p>
561.	FRC	4.90	<p>There is typographical error in the cross reference which we consider should refer to "4.14" rather than "3.14".</p>	Agree
562.	Legal & General Group plc	4.90	<p>The information is specified in 4.14 not 3.14</p>	Agree
563.	Association of British Insurers (ABI)	4.91	<p>Is it right to assume that the solvency needs will necessarily be on an SCR basis? This is what this paragraph appears to suggest.</p>	<p>This paragraph does not suggest that.</p> <p>4.91: "A group specific component of the group ORSA, compared to the solo ORSA, is the analysis of diversification effects assumed at group level. In particular where the accounting consolidation method is used, this includes analysis of the reasonableness of the diversification effects assumed at the group level (art the difference between the group SCR and the sum of solo SCRs) compared to the risk profile of the group and the overall solvency needs of the group."</p>
564.	CRO Forum	4.91	<p>If this is a requirement for the Group supervisory report, it should be clearly stated. This information may not be appropriate (too detailed) for the ORSA internal report and then should be left to the undertaking's management decision as to whether or not to include it.</p>	<p>Disagree</p> <p>Art 246.4 SII</p> <p>"Where the calculation of the solvency at the level of the group is carried out in accordance with method 1, as referred to in Article 230, the</p>

				participating insurance or reinsurance undertaking or the insurance holding company shall provide to the group supervisor a proper understanding of the difference between the sum of the Solvency Capital Requirements of all the related insurance or reinsurance undertakings of the group and the group consolidated Solvency Capital Requirement."
565.	CEA	4.91	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 report.	See comment on 559 and art 246.4 SII
566.	RSA Insurance Group	4.91	This paragraph wrongly talks of diversification effects in terms of SCRs. The solvency needs will not necessarily be on an SCR basis. The proper place for analysis of the diversification effects in the group SCR is in the RSR.	See comment on 559 and art 246.4 SII
IRSG	IRSG	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/or scenario analysis.."</p>	<p>The Explanatory Text has been redrafted.</p> <p>EIOPA would like to stress the fact that qualitative assessments of the risks at group level are not sufficient to meet this requirement.</p>
567.	Association of British	4.92	There seems little benefit in allocating diversification benefits to each entity in the Group – the key is to understand the factors that give rise to the diversification	See comment on 559 and art 246.4 SII

	Insurers (ABI)		benefits in the first place.	
568.	CRO Forum	4.92	<p>If this is a requirement for the Group supervisory report, it should be clearly stated. This information may not be appropriate (too detailed) for the ORSA internal report and then should be left to the undertaking's management decision as to whether or not to include it.</p> <p>(c) The sensitivity analysis on diversification benefits at the group level is overly prescriptive. Similar purpose can be achieved for example by the calculation of different stress and scenario analysis or through the model validation process.</p>	See comment on 559 and art 246.4 SII
569.	CEA	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/or scenario analysis.."</p>	<p>Disagree</p> <p>Diversification benefits may have a material impact on group solvency position. Both allocation and adequate sensitivity analysis are necessary tools to identify, monitor, manage and mitigate risks, in particular in case of changes in the group structure.</p>
570.	FRC	4.93	This explanatory text while relevant to a forward looking perspective does not appear relevant to guideline 20 itself which is very limited	Disagree

571.	Association of British Insurers (ABI)	4.94	The ORSA policy should certainly indicate that stress tests and scenario analyses form part of the process. However, we question the need for the policy to provide specific details of the tests as these are likely to change year-on-year according to circumstances (not least, in relation to prevailing market conditions).	ORSA policy is defined in guideline 4, including stress test
572.	Deloitte	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.	ORSA policy is defined in guideline 4, including stress test. See comments to guideline 4.
573.	CEA	4.94	The exact assessment/s should be determined by the undertaking.	Disagree This is the context of group ORSA and the text says: "the assessment of availability/transferability/fungibility of own funds" The availability/transferability/fungibility can only be done at group level.
574.	FRC	4.94	This explanatory text does not appear relevant to guideline 20. We consider that stress and scenario testing is considered as part of the assessment of overall solvency needs. It might be better supporting Guideline 18 which considers group specific risks.	ORSA policy is defined in guideline 4, including stress test. See comments to guideline 4.
575.	Legal & General Group plc	4.94	The ORSA policy should certainly indicate that stress and scenario tests form part of the process. However, it is unreasonable to expect the policy to provide summaries or outlines of specific details of the tests as these are likely to change year on year according	ORSA policy is defined in guideline 4, including stress test

			to circumstances	
577.	CEA	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.	Disagree. Internal model for groups is something different from the group solvency calculation. The group SCR covers all entities, but the scope of the IM can be limited – part of group SCR is calculated using SF and part using IM.
578.	CEA	4.96	We propose to replace “subsidiaries” with “subsidiary insurance or reinsurance undertakings”.	Disagree, not necessary
579.	FRC	4.96	We suggest that for the avoidance of doubt this explanatory text should refer to the « ORSA supervisory report » as defined in guideline 3 to avoid confusion with the internal report on the ORSA. (see related comment on paragraph 3.38)	Disagree, because the internal report is part of the undertaking management and it contains, at least, information on the results and conclusions regarding the ORSA that should be communicated to all staff for whom the information is relevant.
580.	Groupe Consultatif	4.96	There should be a distinction between the obligations for subsidiaries which are in the EU and subject directly to Solvency II and non-EU subsidiaries. See also 3.39	Non-EU subsidiaries are not subject to SII so there is no obligation for them to elaborate the solo ORSA, but they should contribute to the single ORSA as part of the group.
581.	CRO Forum	4.97	4.97 a) Our interpretation is that the ability for a group to use a single ORSA document is permitted whether internal model or standard formula is used by solo undertakings.	4.97 “..needs to take into consideration..a) where relevant..” that not excludes the use of the standard formula
582.	Deloitte	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	The SRP is outside the scope of these Guidelines and Recommendations.

			should be met or result should be attained.	
583.	CEA	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.	<p>Disagree Art. 236 1 SII establishes "the risk-management processes and internal control mechanisms of the parent undertaking cover the subsidiary and the parent undertaking satisfies the supervisory authorities concerned regarding the prudent management of the subsidiary;..."</p> <p>the parent undertaking has received the agreement referred to in the third subparagraph of Article 246(4);..."</p> <p>the supervision of group solvency for groups with centralised risk management does not avoid to comply with the requirements of the group wide ORSA establishes in art 246.4 5 para:</p> <p>"Where the group exercises the option provided in the third subparagraph, it shall submit the document to all supervisory authorities concerned at the same time. The exercise of that option shall not exempt the subsidiaries concerned from the obligation to ensure that the requirements of Article 45 are met."</p>
584.	EST	4.97	We support the current set- up of this requirement.	Noted.

585.	GNAIE	4.97	GNAIE supports allowing the option of filing a single group wide ORSA report. We hope that this single ORSA approach will also be extended to third country based groups filing ORSA's with their third country supervisors should the third country regime be deemed to be equivalent under Article 260. We would argue in the interest of equal treatment of all companies, this should be the case.	Noted.
586.	Groupe Consultatif	4.97	See 4.96	See comment on 580
587.	IUA (International Underwriting Association of London)	4.97	Please see our response to 3.38.	Disagree Art. 264.4 5 para: "Where the group exercises the option provided in the third subparagraph, it shall submit the document to all supervisory authorities concerned at the same time. The exercise of that option shall not exempt the subsidiaries concerned from the obligation to ensure that the requirements of Article 45 are met."
588.	CRO Forum	4.98	Should this point be referring to a group-wide ORSA submission or a group ORSA submission? If the wording is correct i.e. group ORSA, it is recommended that the wording is amended to allow reporting reflecting the management structure and reporting lines of the organisation within the group portion of a group-wide ORSA yet still require adequate and clearly identifiable documentation for each solo undertaking as per Guideline 23.	Agree

589.	Deloitte	4.98	<p>Comment:</p> <p>Comment regarding Guideline 23: the name of the guideline and the description below do not meet.</p> <p>Comment:</p> <p>Guidance on the relation legal entity/solo undertaking is very limited. Please identify if additional guidance should be provided.</p>	Delete the name of the guideline 23
590.	IUA (International Underwriting Association of London)	4.98	Please see our response to 3.38.	See comment on 587
591.	Association of British Insurers (ABI)	4.99	In sub-paragraph (b), the final sentence repeats the previous one and should be deleted. In addition, 'of such third country towards' should be replaced with 'in such third country'. In the final sentence of sub-paragraph (c) 'carry' should be replaced with 'be carried'.	Agree
592.	CRO Forum	4.99	<p>See comment on paragraph 3.40</p> <p>Propose to delete 4.99 C.</p>	This Guideline refers to risks of the business in third countries
593.	CEA	4.99	<p>Please refer to paragraph 3.40 for comments on third country entities and paragraphs 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</p>	New wording of the guideline

			<p>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>	<p>Disagree.</p> <p>4.100 "The group ORSA includes a separate and adequate disclosure of any material information concerning third countries undertakings.</p> <p>Disclosure is different than report.</p>
594.	FRC	4.99	The final sentence of paragraph b) repeats the preceding sentence.	Agree
595.	IUA (International Underwriting Association of Lo	4.99	and 4.100 – Please see our response 4.29.	<p>Disagree</p> <p>Which are the alternative measures?</p> <p>In any case, if the undertakings are licensed in the EEA, SII applies to them.</p>
596.	Legal & General Group plc	4.99	<p>In (b) the final sentence repeats the previous one. In addition, replace "of such third country towards" with "in such third country"</p> <p>In the final sentence of section (c) replace "carry" with "be carried"</p>	See comment on 591
597.	MARSH Captive Solutions Group	4.99	<p>(a) Ignoring the equivalence status of domicile for purposes of assessment is a pragmatic and sensible approach.</p> <p>(b) The proposed approach appears weighted in favour of non equivalent domiciles who would tend to have a lower</p>	<p>Disagree</p> <p>The guideline is not in favour of any of both possibilities.</p> <p>And why the non equivalent countries should have lower capital requirement? They should applied SII system.</p>

			capital requirement (which would impede trasferability of own funds) than EEA or equivalent domiciles.	And the equivalent countries should applied the own rules that are equivalent to SII,so the effect should be the same in both cases, probably more beneficial to the equivalent countries that to the others.
598.	CEA	5.1	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.	Noted.
599.	Deloitte	5.4	Comment: The guideline is not fully written "(...) Currently the European Commission is still developing these level 2 implementing measures and."	Noted.
600.	Partnership Life Assurance Company Limited	5.4	The sentence 'Currently the European Commission is still developing these level 2 implementing measures and' does not appear to be complete.	Noted.
601.	ECIROA	5.10	We agree that the focus of the guidance should be on what needs to be achieved by the ORSA rather than how it is to be performed.	Noted.
602.	CEA	5.10	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 undertaking and as such, results will differ per undertaking.	The undertakings all need to achieve the same, it is just the methods of getting there that may differ.

603.	CRO Forum	5.11	Stating the 'proportionality principle should be reflected in the process' is a bit unclear. It would be helpful to specify the areas proportionality needs to be addressed (e.g. methodology, entities defined material, ORSA reporting, entity level etc)	Disagree The point is clear in 3.11 of the Impact Assessment; "...the proportionality principle is not on different requirements but on different ways to fulfil the requirements".
604.	ECIROA	5.11	We also agree that more details on the application of the proportionality principle are needed. Please refer to the suggested ORSA framework in general comments above and ECIROA Captive Best Practice guidelines.	See comment no. 603.
605.	Partnership Life Assurance Company Limited	5.14	It remains critical that the supervisory approach undertaken by relative national bodies is consistent and that they receive sufficient information to achieve this appropriately.	Noted.
606.	EST	5.18		
607.	ECIROA	5.19	Captives play an important role in the economic environment, allowing multi-national industrial, commercial and financial undertakings to manage and mitigate their risks. It is important that ORSA requirements are proportionate for Captives, reflecting their simple structure and that compliance with the ORSA process does not create unnecessary additional costs.	Noted.
608.	ECIROA	5.23	The proposed guidelines should not create material new requirements for captives, provided the proportionality process is applied appropriately. Captives already document many of their policies and processes which are presented to their Supervisors.	Documentation is a side issue. It is of major importance that the necessary assessments are carried out with appropriate methods.

609.	CEA	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.	It does not matter what it is called and whether it is separate or not as long as the requirements as to the content are met.
610.	ECIROA	5.25	We believe it is sufficient for EIOPA to provide guidelines for the ORSA. This will allow flexibility for the principle of proportionality to be applied for Captives and other small undertakings.	Noted.
611.	CEA	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.	Noted. Level 3 Guidance follows a comply-or-explain mechanism so best practice – which can only be determined after ORSA requirements are in force - is not an appropriate benchmark.
612.	CRO Forum	5.26	What is the result of the EIOPA discussion?	See section 5 of the Impact Assessment.
613.	CEA	5.26	Please refer to paragraph 3.27 on ORSA policy.	According to Article 45 of Directive 2009/138/EC the requirement that the compliance is on a continuous basis applies to technical provisions as well. See the answer to point 3.27
614.	CEA	5.27	Insurance and reinsurance undertakings should develop their self-assessment exercise as deemed appropriate, to their specific risk profile, their risk tolerance limits, as approved and in line with the undertaking's business	Noted.

			strategy. We believe that this should be an undertaking driven process.	
615.	Groupe Consultatif	5.27	<p>We understand that the very nature of the ORSA is to avoid a standard approach and to encourage each undertaking to set up a process which is proportionate to its nature, scale and complexity.</p> <p>However some examples of a structure and content of the internal ORSA report would be welcome in order to help undertakings to set up their own process.</p> <p>Besides, if no examples are published, it should be made clearer that the ORSA, being a recurrent and iterative process, might be progressively improved in order to fit the undertaking's needs, while the first assessments should allow for some shortcuts. This iterative improvement process would avoid significant investments by the undertakings in setting up processes which would be assessed negatively by the supervisor.</p>	<p>Noted</p> <p>Please see EIOPA's Cover Letter</p>
616.	Partnership Life Assurance Company Limited	5.27	Given the ORSA process is specific to the particular undertaking, over emphasis on providing guidelines and examples on the ORSA supervisory report may result in undertakings adopting reporting which is not consistent with their approach to the ORSA.	Noted.
617.	Association of British Insurers (ABI)	5.28	The reference in this paragraph should presumably be to the SCR calculation. The wording of Guideline 13 is more appropriate here. A requirement to explain deviations from the standard formula will be of little meaningful benefit to undertakings using an internal model.	Agree.
618.	Deloitte	5.28	<p>Comment:</p> <p>We noticed that this paragraph states that "an assessment of the deviation from the Standard Formula is required". However, Guideline 13 states that these deviations should be assessed with respect to those</p>	Agree.

			<p>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 “underlying the SCR calculation”.</p> <p>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>	
619.	CEA	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>	The paragraph sets out that this was a possible option that was considered (but as section 5 of the Impact Assessment shows, ultimately discarded)
620.	RSA Insurance Group	5.28	<p>The reference should presumably be to the SCR calculation, not the standard formula. The wording of guideline 13 is more correct here. A requirement to explain deviations from the standard formula will be of no intrinsic benefit to undertakings using an internal model.</p>	Agree.
621.	ECIROA	5.30	<p>The cost impact upon Captives is an important consideration. Whilst there is no doubt that the ORSA process can only be of benefit to Captives, the proportionality principle must be appropriately applied to</p>	Noted.

			avoid a non-proportionate increase in costs. The majority of Captives outsource their administration to professional captive management companies and therefore the administration related to the documentation of the ORSA process will in all probability also be outsourced (whilst the responsibility will remain with the Captive Board). It is therefore important to ensure that only the documentation which is appropriate to the nature, scale and complexity of the Captive is required to be provided.	
622.	ILAG	5.30	Smaller operations tend not to operate their capital as 'efficiently' as large operations. This means they tend to have proportionately more in tier 1 capital.	Noted.
623.	Association of British Insurers (ABI)	5.36	The words 'on risk management' should be inserted after 'a written policy'.	This would rather confuse the issue as the point here is that there should be a policy specifically to address the ORSA – which could however be included in the risk management policy.
624.	Legal & General Group plc	5.36	The words "on risk management" should be inserted after "a written policy" See comment in section 4.13	See comment no. 623.
625.	ECIROA	5.38	Please see General Comments and 5.25 above.	Noted.
626.	Legal & General Group plc	5.38	See comment in section 4.13	Noted.
627.	Partnership Life Assurance Company Limited	5.38	The required detail set out in the policy sections lends itself more to process than high level policy articulation.	Disagree.
628.	CRO Forum	5.39	We confirm our preference for Option 3 adopted by EIOPA not to provide detailed guidance and standards of the ORSA supervisory report, as the ORSA report should	Noted.

			reflect the nature, scale, risk and complexity of the undertaking.	
629.	Deloitte	5.39	<p>Comment:</p> <p>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.</p> <p>Proposed new wording (to be further elaborated):</p> <p>“Guideline XX : ORSA report</p> <p>Undertakings are required to report on their ORSA processes and the outcomes. The information 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</p>	EIOPA does not want to define the minimum content since we consider that this would result in stopping most undertakings from giving proper thought to what to put in the report and how to best structure it and would lead to them just following the minimum content list.

			standard model solo approach.	
630.	AFM	5.42	We would agree with the statement that a qualitative assessment should be carried out first.	Noted.
631.	Association of British Insurers (ABI)	5.42	We strongly support the emphasis placed on firms developing their own reporting template. Although we expect that some industry harmonisation will occur over time, we agree that providing an example report or template would not be helpful, as it would almost certainly create a standard industry format, which would not be in the spirit of an own assessment.	Noted.
632.	Deloitte	5.42	Comment: “(...) it would not be helpful to give an example on a structured report (...)” 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.	See comment no. 629.
633.	ECIROA	5.42	Please see General Comments and 5.25 above.	Noted.
634.	CEA	5.42	Please refer to paragraph 3.2 for comments on ORSA guidelines and examples.	Noted.
635.	RSA Insurance Group	5.42	We strongly support the approach taken by EIOPA on this issue.	Noted.
636.	Deloitte	5.43	Comment: “Option 4 Whether to require a quantitative assessment	No, it does not. This is about a comparison between the risk profile of the internal model user and the internal

			<p>for all deviations from the standard formula regardless of its significance”</p> <p>We believe it would be helpful to clearly state whether this implies a comparison between internal model and standard formula.</p> <p>Comment:</p> <p>“EIOPA will expect quantification as a second step, only if the qualitative assessment indicates a significant deviation from the assumptions underlying the SCR calculation.”</p> <p>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>	model as used for the SCR calculation.
637.	ILAG	5.43	We would agree with the statement that a qualitative assessment should be carried out first.	Noted.
638.	RSA Insurance Group	5.43	Please see our comments on 5.28 above.	Noted.
639.	Deloitte	5.44	<p>Comment:</p> <p>See comment in section 5.43</p>	Noted.
IRSG	IRSG	5.45	Reference in sentence 2 “at all times” should be clarified, so as not to mean e.g. on a daily basis. Technical correction: “requires”.	<p>Disagree</p> <p>It is not possible to interpret “at all times” i.e. “continuously” in a way that does not include “on a daily basis”.</p>
640.	Deloitte	5.45	Comment:	Noted.

			See comment in section 5.43	
642.	ECIROA	5.47	We agree that there needs to be a common understanding of ORSA requirements between Undertakings and Supervisors and this is why more details on the application of the proportionality principle are needed.	Noted
643.	Deloitte	5.51	Comment: See comment in section 5.43	Noted.
644.	AFM	Q1.	Yes although some of the detail will only become apparent when supervisors start to interpret the guidelines in their own way and force firms to follow their interpretation.	Noted.
645.	AMICE	Q1.	The guidelines are generally clear; in a few places, we have in our detailed comment indicated that one or the other clarification may be warranted.	Noted.
646.	Association of British Insurers (ABI)	Q1.	The guidelines are generally useful in reinforcing what is expected to be achieved by the ORSA. In particular, the clarifications since the pre-consultation on group requirements, and requirements for internal model firms, are mostly helpful. However, some statements are too general to be helpful and the drafting should be tightened up in places. Examples are quoted in the responses to questions 2 and 3.	Noted.
647.	BW	Q1.	The principles are clear but many firms will still be unclear of how this can be done in practice and how the regulator will interpret it. Case studies or workshops would be helpful. Also how the proportionality principle	Noted.

			will be applied is not clear.	
648.	CRO Forum	Q1.	The guidelines provide a framework for people to make a valid assessment on whether they are compliant with the purpose and principles of ORSA. However issues regarding definitions will continue to cause confusion/debate amongst the industry stakeholders.	Noted.
649.	Deloitte	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.	Noted.
650.	ECIROA	Q1.	The guidelines are helpful but more guidance on the application of the proportionality principle is needed.	Noted.
651.	CEA	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.	Noted.
652.	EST	Q1.	Q1. Are the guidelines clear and will they help the undertaking understand what they are expected to achieve? yes	Noted.
653.	FRC	Q1.	We support the EU's commitment towards a single	Noted.

			market in insurance services of which the Solvency II Directive forms a key part and the consequent desire to achieve maximum harmonisation of regulatory standards. However, there is a risk that this desire for harmonisation can lead to excessive regulation and we see some signs of this in these guidelines. We would encourage EIOPA to question the need for each one of the proposed guidelines on ORSA and provide a rationale for why each guideline is considered necessary.	
654.	Ganado & Associates , Advocates	Q1.	Generally the Guidelines establish with sufficient clarity the intentions of the ORSA. However, we would require clarification on the extent of forward-looking statements that are required to be made ; confirmation as to the standard of duty of care of directors; and a clear definition as to what constitutes a 'material deviation' when an assessment of the assumptions underlying the SCR is made.	Noted.
655.	GNAIE	Q1.	We have raised questions as to how the ORSA Guidelines apply to third country groups in cases of equivalence. We think there also needs to be clarity as to third country groups in the absence of an equivalence ruling. In those cases, will the third country be obligated to file only the ORSA for its EEA subsidiaries ? Assuming that the third country group supervisor of the international group is requiring an ORSA, will the host supervisor in the EU wish to have access to the group ORSA ? Will review of the group ORSA by the group supervisor and discussion at the college of supervisors be sufficient? What if the third country does not require a group ORSA ?	
656.	ILAG	Q1.	Yes although some of the detail will only become apparent when supervisors start to interpret the guidelines in their own way and force firms to follow their interpretation.	Noted.
657.	Legal & General	Q1.	In general yes, although we believe that the principle of proportionality is not emphasised sufficiently	Noted.

	Group plc			
659.	Partnership Life Assurance Company Limited	Q1.	Yes the guidelines provide a good level of clarity in respect of the expectations of an undertaking in relation to the ORSA.	Noted.
660.	RSA Insurance Group	Q1.	For the most part the guidelines are clear, but see our comments on specific paragraphs where this is not the case. Paragraphs 4.17ff are particularly lacking in logical structure and clarity. The informal draft issued in December 2010 was clearer.	Noted.
661.	AMICE	Q2.	We understand from singular comments that the level of clarity is lower in the section on the ORSA in groups. We have however, generally abstained from commenting on these sections of the consultations paper.	Noted.
662.	Association of British Insurers (ABI)	Q2.	<p>With Guideline 16 ('Scope of the group ORSA'), it would be useful to have a statement noting which entities are required to perform an ORSA, and which are not required to perform an ORSA. For example, are regulated non-(re)insurance EEA entities required to perform an ORSA (such as where insurers have an asset management subsidiary that are not subject to Solvency 2 regulations but are regulated in the EEA)? Examples such as this would ensure greater clarity in the interpretation of the guidelines.</p> <p>The text should clearly refer to the ORSA process or alternatively the ORSA report on the ORSA process. When the text refers to risks or the impact of these on overall solvency needs, it should qualify these as material risks.</p>	Only EEA (re)insurance undertakings have to perform a solo ORSA. A group ORSA has to cover all entities that are part of the group irrespective of whether they are (re)insurance undertakings or not and where they are situated.
663.	BW	Q2.	No	Noted.
664.	CNA Insurance	Q2.	Please refer to responses provided under paragraph references 3.21, 4.14 and 4.40. In addition, the	A third country branch is treated like a solo undertaking, EEA branches are

	Companies		definition of a "solo undertaking" is not defined and therefore unclear. For example, are branches considered a "solo undertaking"?	not.
665.	CRO Forum	Q2.	See comment above	Noted
666.	Deloitte	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.	Agree for the concept, disagree for further examples
667.	ECIROA	Q2.	See Q1	Noted
668.	CEA	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>	Only EEA (re)insurance undertakings have to perform a solo ORSA. A group ORSA has to cover all entities that are part of the group irrespective of whether they are (re)insurance undertakings or not and where they are situated.
669.	EST	Q2.	Q2. Are there any aspects which could be made clearer?	Noted.

			no	
670.	Ganado & Associates , Advocates	Q2.	In the case of ISPVs (but not SPVs established to provide financial risk mitigation to insurance undertakings) we understand that the ORSA process will be governed by L2 rules established for the purpose and will only be affected by the contents of the Guidelines where applicable.	Disagree Please see the implementing measures once it will be published by the European Commission.
671.	GNAIE	Q2.	The application of the ORSA requirements to branches is not clear. Are branches and subsidiaries treated alike for purposes of the ORSA ?	With regard to third country branches yes. Other branches are part of the undertaking they belong to and included in its ORSA.
672.	Groupe Consultati f	Q2.	It would be helpful to create a standard risk mapping (or at least a standard risk referential) in order to help undertakings to what risks they are supposed to take into account and assess at least. Some examples, showing how to set up the boundary between risks which would be covered by a certain amount of capital and risks which are managed by adequate processes, would be welcome.	All risks need to be taken into account and all risks identified as material need to be addressed. For regulatory requirements all material quantifiable risks need to be included in the SCR, for overall solvency needs it is up to the undertaking to decide which risks to cover with capital.
673.	ILAG	Q2.	No	Noted.
674.	Legal & General Group plc	Q2.	We would appreciate a better understanding of the supervision of Groups and how it will operate	This is outside the scope of these Guidelines and Recommendations on ORSA.
676.	RSA Insurance Group	Q2.	See specific comments above.	Noted
677.	Associatio n of British Insurers (ABI)	Q3.	As the levels of materiality between organisations in different countries will vary, we would appreciate a better understanding of how the College of Supervisors will operate. More clarity is needed on the relationship between the group supervisor and solo entity supervisors. The operation of the College is unclear in terms of the	As this is a general issue and not ORSA specific, this is outside the scope of these Guidelines and Recommendations.

			respective roles and responsibilities of each supervisor and their access to information.	
678.	BW	Q3.	No	Noted.
679.	CAN Insurance Companies	Q3.	We are encouraged by the similarities in approaches between the Consultation Paper and the direction the NAIC is taking and would encourage dialogue between EIOPA and the NAIC to discuss ways in which a single, group ORSA report can be used to meet these very similar requirements. Such discussions should also be entered into with the IAIS with the goal of achieving a single, group-wide ORSA to satisfy all applicable jurisdictions.	Noted.
680.	CRO Forum	Q3.	At present no other areas in scope of Article 45 or 246 of the directive require additional guidance.	Noted.
681.	Deloitte	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.	As this has nothing to do with Article 45 it is outside the scope of these Guidelines and Recommendations.
682.	ECIROA	Q3.	See Q1	Noted
683.	EST	Q3.	Q3. Are there any other areas in the scope of Articles 45 and 246 of the Directive where guidelines would be useful? no	Noted.
684.	Ganado & Associates	Q3.	No comment.	

	Advocates			
685.	GNAIE	Q3.	<p>It will be very helpful for international groups to be able to use one ORSA worldwide to meet all the ORSA process and filing requirements.</p> <p>The NAIC is moving forward with an ORSA requirement and report which is very similar in its structure to that outlined in this consultation. We would suggest that both EIOPA and the NAIC discuss ways in which a single ORSA report can be used to meet these very similar requirements and that there be discussions with the IAIS to promote the acceptance of a single ORSA report which reflects a company's own view of its risk profile and that no specific templates be required.</p> <p>Bermuda is likely to require a slightly different ORSA (CISSA), but it would also be important to be able to use the Bermuda filing in the US and in Europe. We would encourage recognition of the Bermuda group wide ORSA as acceptable for the EEA subsidiaries of Bermua groups.</p>	<p>Noted.</p> <p>Noted.</p> <p>Noted.</p>
686.	ILAG	Q3.	No	Noted.
687.	Legal & General Group plc	Q3.	As the levels of materiality between organisations in different countries will vary, we would appreciate a better understanding of how the College of Supervisors will operate. More clarity is needed on the relationship between the Group supervisor and Solo entity supervisors. The operation of the College is unclear in terms of the respective roles and responsibilities of each supervisor and their access to information.	This is outside the scope of the ORSA and thus not mentioned here.
689.	Partnership Life	Q3.	Article 45 : Para 3 in respect of the requirements of the recalibration that transforms the internal risk numbers	Noted.

	Assurance Company Limited		into the Solvency Capital Requirement risk measure and calibration.	
690.	RSA Insurance Group	Q3.	Although it is within the scope of the Article 35 rather than 45, we think the guidelines should also address the contents of the ORSA supervisory report. Please see our comments on para 4.16.	Noted.
691.	AFM	Q4.	The ORSA report will need to include all aspects of the ORSA process. We believe that this will be best attempted as a series of reports on each element of the process with a summary of a few pages tying the results together. We do not believe that firms should spend a lot of time coming up with special 100 page reports for the supervisor on their ORSA process.	The ORSA supervisory report focuses on the outcome of the ORSA not the process. Process descriptions are part of the RSR.
692.	AMICE	Q4.	Unless the application of proportionality is granted, many of our small andmedium-sized members see onerous obligations in several areas. We have clearly pointed them out in ourdetailed comments. Scenario testing and data quality requirements are among the issues that create the greatest concern. Overall, we notice a great “fear of the unknown beast” at many of our members with regard to the ORSA process. It would therefore be very helpful – and serve the smaller undertakings as well as their supervisors and indirectly also their policyholders – if EIOPA could provide a textbook example	Noted. The problem with textbook examples is that a large number of undertakings is likely to copy the example although in practice hardly anybody actually is in a textbook situation.
693.	BW	Q4.	Guidance on the risk profile of the ‘standard formula’ firm would help with analysis of deviations with own risk profile and also justifying why it is appropriate given the firms risk profile.	Information on the assumptions underlying the standard formula is going to be provided by EIOPA as soon as possible.
694.	CNA Insurance	Q4.	Please refer to response under paragraph reference 3.21 and 4.14. In general, we believe that consideration	Noted.

	Companies		needs to be given to how the ORSA requirement will be implemented in the case of third country-based groups.	
695.	CRO Forum	Q4.	ORSA is an umbrella concept that covers a number of risk, capital and solvency processes therefore there are operational issues in ensuring that the content of the ORSA report is kept precise and relevant to the AMSB.	Noted.
696.	Deloitte	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.	This is up to the undertakings as the assumption is that they know their job and do not need "how to" explanations about essential business processes. Noted.
697.	ECIROA	Q4.	There will be practical (cost) issues for Captives if the proportionality principle is not applied appropriately to them. Please see our proposal in General Comments above.	Noted.
698.	CEA	Q4.	Guideline 4, ORSA policy requirements seem particularly onerous in relation to stress tests and data quality. 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.	Proportionality has nothing to do with this but materiality does. The result of considering all non-regulated entities could of course be that some of them do not pose material risks.
699.	EST	Q4.	Q4. Are there any practical or operational issues with the application process which can be identified by undertakings? If any, please describe your concerns and how they could be addressed. no	Noted.
700.	Ganado &	Q4.	No comment.	

	Associates , Advocates			
701.	GNAIE	Q4.	We would suggest that EIOPA needs to consider how the ORSA requirement will be implemented in the case of third country groups in cases of equivalence and non-equivalence. There are a number of issues related to this situation which we have raised in specific sections of this paper including the ability to use a single group wide ORSA, reconciliation to the SCR/MCR, and valuation methods. GNAIE and its memebr companies would be pleased to discus these issues and others related to equivalence further with EIOPA.	Noted.
702.	ILAG	Q4.	The ORSA report will need to include all aspects of the ORSA process. We believe that this will be best attempted as a series of reports on each element of the process with a summary of a few pages tying the results together. We do not believe that firms should spend a lot of time coming up with bespoke 100 page reports only for the supervisor of their ORSA process.	See comment no. 691.
703.	Legal & General Group plc	Q4.	We believe that there should be more reference and focus in the guidelines upon materiality	EIOPA does not see where this is relevant in the guidelines.
705.	Partnershi p Life Assurance Company Limited	Q4.	The requirements of the detail of information included in the ORSA policy make it more stringent than would be expected from a high level document. We would expect to address the detail in the process documents outlining the specific detail of how we undertake the ORSA. This could be addressed by being less structured in the policy requirements.	Disagree
706.	AMICE	Q5.	In the absence of level 2 material on the ORSA, the guidelines give valuable orientation for the undertakings how to approach the obligations to perform the ORSA, to plan their policy for it and to report about it. The culture	Noted.

			and practice of doing something like an ORSA certainly differs considerably between Member States. Thus, the guidelines provide an important tool towards harmonisation and the creation of a level playing field.	
707.	Association of British Insurers (ABI)	Q5.	<p>The benefits may only appear long after Solvency II comes into effect, as there is still uncertainty with material aspects of Solvency II such as matching premium, contract boundaries, EPIFP, etc. The focus of debate has therefore been – most recently – on Pillar 1 issues, rather than Pillar 2. 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.</p> <p>In general, though, the guidelines should lead to greater awareness within organisations of the interrelationship between the risk profile of a business and the consequent capital and risk mitigants appropriate for that profile. The guidelines will also help to ensure that capital information – and the way that information changes under stressed conditions – forms part of the continuous risk management process and that the ORSA is a natural progression.</p>	Noted.
708.	CRO Forum	Q5.	Benefits of the guideline include clarification of documentation requirements, governance process and the recognition of a difference between regulatory capital and Pillar II capital.	Noted.
709.	Deloitte	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.	Noted.

710.	CEA	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>	Noted.
711.	EST	Q5.	<p>Q5. What benefits may flow from the proposed guidelines?</p> <p>Rather limited benefits for those who already have their own risk management processes and systems in place (predominantly bigger groups) but rather helpful for the startups and SME-s in the insurance field.</p>	Noted.
712.	Ganado & Associates , Advocates	Q5.	<p>We believe that the Guidelines are beneficial to SME insurers and to captive insurance undertakings since the principle of proportionality is clearly enshrined as the governing principle of the process. We agree that there should be no guidance as to how the ORSA is to be carried out (since this decision is to be taken by each company having regard to the nature scale and complexity of its own risks.</p>	Noted.
713.	Legal & General Group plc	Q5.	<p>They should lead to greater awareness within organisations of the interrelationship between the risk profile of a business and the consequent capital requirements for that profile. The guidelines will also help to ensure that capital information, and the way that information changes under stressed conditions, forms part of the continuous risk management process and that the ORSA is a natural progression</p>	Noted.
715.	Partnershi	Q5.	<p>Consistent understanding of the expectations of the</p>	Noted.

	p Life Assurance Company Limited		ORSA. A proportional approach being adopted by insurance undertakings based on size and complexity of their business.	
716.	AXERIA	Q6.	As far as our companies within the Group are concerned, we estimate that the cost for implementing ORSA and the relating documentation will be material. For small size insurance companies it seems to be difficult to hire adequate profile of actuary people dedicated to ORSA or to outsource a part of this activity.	Noted.
717.	CRO Forum	Q6.	In this analysis costs are only identified at a high level for SMEs. we have no comments to provide.	
718.	Deloitte	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	Noted.
719.	ECIROA	Q6.	Please see 5.30 above.	Noted
720.	EST	Q6.	Q6. Do undertakings agree with the analysis of the costs for the implementation of the guidelines? Are there other costs and negative impacts EIOPA should consider? One should not go into more detail in order not to increase systemic risk by setting one common standard which does not cover all risks sufficiently- currently published version is sufficient enough.	Noted.
721.	FRC	Q6.	The document does not provide any analysis of costs other than to recognise in paragraph 5.47 that they may have an economic impact.	Noted
722.	Ganado & Associates , Advocates	Q6.	No coment.	

724.	AMICE	Q7.	<p>On option 1, we agree that the guidelines are a useful tool to complement the level 1 provisions on the ORSA.</p> <p>On option 2, we agree that the ORSA process in the undertaking has to be guided by an ex-ante established policy. We do however not agree that the level 1 text calls for or even indicates the need for a detailed, self-standing ORSA policy. The ORSA is part of the risk management; therefore, the ORSA policy should be part of the risk management policy. In addition to the decision to require a separate ORSA policy (whci we do not endorse), EIOPA partially overprescribes details this policy has to include, thus ignoring that the ORSA is menat to be an internal management tool for the undertaking and not a supervisory tool.</p> <p>On option 3, we appereciate that EIOPA abstains from providing detailed guidelines and examples on the ORSA supervisory report. Nevertheless, we believe that it would be most valuable for small undertakings if EIOPA developed a sort of textbook example for the ORSA report. Such a good practice example should not form part of the guidelines as it should remain completely non-obligatory.</p> <p>On option 4, we agree that the qualitative assessment of the deviation should be the starting point and general requirement and that quantitative assessment should only be required if there is a strong cause for it (significant deviation and material impact).</p>	<p>Noted.</p> <p>There is no requirement that the ORSA policy should be separate. The content is only described very generally.</p> <p>As the implementation of principles-based requirements should be tailored to the individual undertaking, EIOPA will not provide textbook examples so as not to encourage undertakings to follow the example instead of determining what the best implementation for them is.</p> <p>Noted.</p>
725.	CRO Forum	Q7.	<p>We agree with the conclusions EIOPA have drawn in respect of the policy options. We would like to reaffirm our agreement with option 3. It should be the responsibility of individual undertakings and their AMSB to derive the exact structure and content of the supervisory report.</p>	Noted.
726.	Deloitte	Q7.	See 5.39 and 5.42	Noted

727.	ECIROA	Q7.	We agree with Option 1.	Noted.
728.	CEA	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>	EIOPA will not provide examples as the risks in that is that undertakings will just follow the examples even where these are not best suited to their individual situation.
729.	EST	Q7.	<p>Q7. Do undertakings agree with the proposed options in the analysis of the impact? Are there other options EIOPA should consider?</p> <p>No</p>	Noted
730.	Ganado & Associates , Advocates	Q7.	We agree with the options outlined in the Guidelines	Noted.
732.	Partnership Life Assurance Company Limited	Q7.	Detail the specific expectations of national body supervisors such that insurance undertakings are clear in the expectations placed on them and that these are consistent across geographies.	Too much detail is not in line with the principles-based approach as it would reduce the intended flexibility and would encourage off the peg solutions where bespoke implementation is required.
733.	AFM	Q8.	We believe that stronger guidelines backing the statements that the ORSA need not be a detailed internal	A statement like that would not clarify the issue as proportionality only applies

			model in itself would be helpful. We note that principle 1 on proportionality is helpful but would suggest that some of the remainder of the guidelines do not make clear the proportionality requirement within themselves. A clearer statement saying that proportionality applies to all the guidelines in themselves may be of help.	to how requirements are implemented not to whether requirements apply.
734.	AMICE	Q8.	<p>Requirements for smaller undertakings will only be appropriately proportionate if supervisors acknowledge that the application of proportionality lies within the responsibility of the undertaking since the ORSA is a management tool and not a supervisory tool. This fundamental principle needs still to be clarified and strengthened in the guideline – otherwise the guideline will possibly fail to meet the proportionality objective.</p> <p>We agree that the introduction of the ORSA process as such is a great step towards improving the risk management of many insurers, thus of the industry as a whole. The guidelines underline this. To make the introduction of the ORSA in Europe a full success, it will however be necessary for insurers and their supervisors to embark on a joint learning process, thus overcoming the fear of the unknown (particularly in small undertakings) and enabling the insurers to gradually develop this truly valuable assessment tool.</p>	It is not ORSA specific but a general consequence of the principles-based approach that undertakings have to decide for themselves how to best implement the principles and how to do so proportionately and that supervisory authorities in assessing compliance will determine also whether the implementation is proportionate.
735.	AXERIA	Q8.	We agree with the principle of proportionality ; nevertheless we do not have identified a lot of cases where it seems to be applicable for practical purposes.	In order not to repeat the application over and over the principle is not explicitly repeated wherever it applies. There are numerous applications in practice.
736.	BW	Q8.	How proportionality will be interpreted will help with lots of aspect of the guidelines. For some of the guidelines it is not clear whether or not it applies.	It always applies when how a requirement is to be implemented needs to be decided.
737.	CNA Insurance	Q8.	Please refer to response under paragraph reference 3.15 and 3.38. CNA strongly supports movement towards the	Noted

	Companies		allowance of a single, group-wide ORSA.	
738.	CRO Forum	Q8.	To the extent that the guidelines represent a framework for best practise they should encourage improved risk management processes.	Noted
739.	Deloitte	Q8.	Yes	Noted.
740.	ECIROA	Q8.	(a) We fully support the introduction of proportionate requirements for small undertakings but we believe that more guidance is needed regarding how the proportionality principle should be applied.	Disagree
741.	EST	Q8.	Q8. Do you agree that the EIOPA's suggested approach to the guidelines on the ORSA would be the most efficient and effective in order to achieve the objectives of (If you do not agree, which options or alternative suggestion meets these objectives in a more efficient and effective way and why?): a) introducing proportionate requirements for small undertakings; b) improving the risk management of EU insurers and reinsurers. Yes	Noted.
742.	FRC	Q8.	It might be more proportionate for small undertakings not to prescribe that the ORSA be performed at least annually. The Directive requires all insurance undertakings to calculate an SCR at least annually (article 102) but the ORSA is only required to be performed regularly (article 45). ORSA Guideline 15 imposes the annual requirement. It might be more proportionate for small undertakings to	EIOPA is of the opinion that no matter how simple the risk profile of an undertaking is that every undertaking needs to think at least annually about its capital needs and to assess whether it is able to continuously comply with regulatory capital and technical provisions requirements since non-compliance has significant consequences.

			allow for the regular ORSA to be completed less frequently, perhaps every three years, supplemented with an annual qualitative update.	
743.	Ganado & Associates , Advocates	Q8.	We agree.	Noted.
744.	GNAIE	Q8.	We do agree with EIOPA's conclusions that an ORSA should reflect a company's own view of its risk profile and that no specific templates or stress tests are to be required and the allowance of a single group wide ORSA.	Noted.
745.	ILAG	Q8.	We believe that stronger guidelines backing the statements that the ORSA need not be a detailed internal model in itself would be helpful. We note that principle 1 on proportionality is helpful but would suggest that some of the remainder of the guidelines do not make the proportionality requirement clear. A clearer statement saying that proportionality applies to all the guidelines may be of help.	See comment no. 733.
747.	AFM	Q9.	UK firms will need to report on compliance with risk management within their published accounts. We believe the detailed report should be between the supervisor and the firm.	Agrees.
748.	AMICE	Q9.	We do not think that it is necessary to oblige insurers to expressly report whether they comply with this guideline. Art 16(3) leaves it open whether such reports by undertakings should be requested in a guideline. See also our comment on par. 3.43.	Disagree. This requirement is very easy to meet and helps supervisors in their assessment of the undertaking.
749.	Association of British Insurers (ABI)	Q9.	This may be efficiently achieved as an annex to the ORSA supervisory report. The responsibility for compliance with the guidelines	Agree.

			<p>ultimately sits with group and solo Administrative, Management or Supervisory Boards. It is likely that boards will take note of input from control functions within the organization. Reporting on compliance could take the form of a statement within the ORSA supervisory report (i.e. in an annex).</p> <p>Paragraph 4.16 also suggests a way in which compliance with the guidelines could be efficiently achieved: by reducing duplication between an undertaking's internal report on ORSA and their ORSA supervisory report.</p>	
750.	AXERIA	Q9.	<p>We suggest that local Authorities add an Appendix to these Guidelines presenting a template that could be used as an exemple in order to document the ORSA. The advantages would be the followings :</p> <ul style="list-style-type: none"> <input type="checkbox"/> helping small size insurance companies by providing them with a framework <input type="checkbox"/> limiting the cost of the project for insurance companies, by using a template that would be designed by the Authorities ; in fact, it would minimize the cost relating to consultancy firms that would be supported to design this framework, <input type="checkbox"/> providing local Authorities with homogenous forms of ORSA reports to analyze. 	Disagree – ORSA is an individual tool for undertakings in the context of their nature, scale and complexity and should not a check-box solution.
751.	CRO Forum	Q9.	The risk management framework will be subject to independent review in accordance with level 1 text.	Agree
752.	Deloitte	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.	Noted

753.	ECIROA	Q9.	We do not understand the relevance of this question. Why is it necessary to report compliance with the guidelines?	Harmonised supervisory practices are not much use in terms of ensuring a level playing field if supervisory authorities accept that a certain approach should be the common approach but do not take care that the undertakings under their supervision follow that common approach. Reporting on whether the undertaking complies and if not why not helps the supervisory authority to determine whether supervisory measures need to be taken.
754.	EST	Q9.	Q9. Do you have suggestions to whom and how the reporting of the undertakings and/or group on their compliance with the guidelines could be done efficiently? To the local insurance supervisory.	Noted.
755.	FRC	Q9.	We suggest that compliance with the guidelines is best reported to an undertaking's national and/or group supervisor through a statement in the ORSA supervisory report with reasons for any non-compliance.	Noted.
756.	Ganado & Associates , Advocates	Q9.	We believe that the results of the ORSA are to be communicated on a periodic basis (or whenever an ORSA is carried out) and should be communicated to the regulator/s tasked with the supervision of the (re)insurance undertaking.	Noted.
757.	ILAG	Q9.	UK firms will need to report on compliance with risk management within their published accounts. We believe the detailed report should be between the supervisor and the firm.	Noted.
758.	Legal & General Group plc	Q9.	The responsibility for compliance with the guidelines sits with Group and Solo Boards. It is likely that Boards will take note of input from control functions within the	Agree.

			organization. Reporting on compliance could take the form of a statement within the ORSA supervisory report.	
760.	Partnership Life Assurance Company Limited	Q9.	Would expect this to form part of the validation processes and therefore would be evidenced in the annual reporting on this to the AMSB.	EIOPA agrees that the AMSB has to be informed about the level of compliance with the Guidelines (and to decide what the level of compliance should be). But EIOPA would also expect this information – and the reasons for any non-compliance - to be submitted to the local supervisor or group supervisor respectively in order to help them determine whether any supervisory measures are necessary on account of the non-compliance.

4.2. Annex II

Draft Guidelines on Own Risk and Solvency Assessment and Explanatory Text

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Guidelines on Own Risk and Solvency Assessment (ORSA)

Introduction

- 1.1. According to Articles 45 and 246(4), as well as recital 36 of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)¹, hereinafter referred to as the "Directive" or as "Solvency II", and aware of the requirements of the ORSA, the present Guidelines seek to provide additional details on how the ORSA required by the Directive is to be interpreted.
- 1.2. The guidelines focus on what is to be achieved by the ORSA rather than on how it is to be performed. Since the overall solvency needs assessment represents the undertaking's own view of its risk profile and capital needs as well as other means needed to appropriately address these risks, the undertaking should decide for itself how to perform this assessment appropriately given the nature, scale and complexity of its risks.
- 1.3. The guidelines apply to both individual undertakings and participating insurance or reinsurance undertakings or the insurance holding company, at the level of the group and to group level undertakings. Additionally, the guidelines - in a separate section - address issues relevant to the group specificities of the ORSA, in particular on account of specific risks to the group or risks that could be less relevant at individual level than at group level.
- 1.4. The guidelines apply similarly to standard formula and partial and full internal model users with some additional explanations dedicated specifically to the latter.
- 1.5. The guidelines cover general issues such as the principle of proportionality, the role of the administrative, management or supervisory body and documentation of the ORSA, as well as specific issues, for example, the assessment of the overall solvency needs, the continuous compliance with the requirements on regulatory capital and technical provisions and the deviations from assumptions underlying the Solvency Capital Requirement (SCR) calculation. However, they do not consider the role of the supervisory authority. This will be covered by the guidelines on the Supervisory Review Process.
- 1.6. EIOPA acknowledges and supports the developments and achievements on a global scale and national level outside the European Union with regard to setting standards for Own Risk and Solvency Assessments. It is crucial that the administrative, management or supervisory body is aware of all material risks the undertaking faces, regardless of whether the risks are included in the SCR calculation or whether they are easily quantifiable, and that the AMSB also takes an active role in the ORSA, directing and challenging its performance.

¹ OJ L 335, 17.12.2009.

- 1.7. The assessment of the overall solvency needs does not necessarily call for a complex approach. But it has to be sufficiently comprehensive to effectively reflect the undertaking-specific risk profile.
- 1.8. 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 defined for the ORSA and as part of the SCR calculation consider the same reference date
- 1.9. Internal model users should use the model in the performance of the ORSA to question the continued adequacy of the model for reflecting the risk profile of the undertaking.
- 1.10. The application for the use of a single ORSA document requires a high level of consistency in processes across the group and evidence of full compliance with the requirements of Article 45 at the individual level and Article 246(4) for groups.
- 1.11. The relevant guidelines for individual undertakings apply mutatis mutandis to the Group ORSA. Additionally, groups need to take into consideration the group specific guidelines.
- 1.12. The Guidelines shall apply from [date].
- 1.13. For the purpose of these guidelines, the following definitions apply:
 - the term "group level" means one coherent economic entity (holistic view) comprising all entities in the group as referred in the guidelines on the system of governance;
 - the term "group ORSA" means the ORSA undertaken at group level;
 - the term "single ORSA document" means the ORSA undertaken at the level of the group and at the level of any subsidiary of the group on the same reference date and period formalised in one document when supervisory agreement is given to do so.

Section I: General considerations

Guideline 1 – Principle of proportionality

1.14. The undertaking should develop its own processes for the ORSA, tailored to fit into its organisational structure and risk management system with appropriate and adequate techniques to assess its overall solvency needs, taking into consideration the nature, scale and complexity of the risks inherent to the business.

Guideline 2 – Role of the administrative, management or supervisory body (top-down approach)

1.15. The administrative, management or supervisory body should take an active part in the ORSA including providing steering on how the assessment is to be performed and challenging its results.

Guideline 3 – Documentation

1.16. The undertaking should have in place at least the following documentation on the ORSA:

- a) ORSA policy;
- b) record of each ORSA;
- c) internal report on ORSA; and
- d) ORSA supervisory report.

Section II: ORSA policy

Guideline 4 – ORSA policy

1.17. The ORSA policy should comply with the guidelines established under General Governance – Policies and include additionally at least:

- a) a description of the processes and procedures in place to conduct the ORSA including how the forward-looking perspective is addressed;
- b) consideration of the link between the risk profile, the approved risk tolerance limits and the overall solvency needs;
- c) information on:
 - (i) how stress tests, sensitivity analyses or reverse stress testing are to be performed and how often they are to be performed;
 - (ii) data quality requirements; and
 - (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.

Section III: Record of each ORSA

Guideline 5 – General rule

- 1.18. The ORSA and its outcome should be appropriately evidenced and internally documented.

Section IV: Internal report on ORSA

Guideline 6 – Internal report on ORSA

- 1.19. Once the process and the result of the ORSA have been approved by the administrative, management or supervisory body, at least information on the results and conclusions regarding the ORSA should be communicated to all staff to whom the information is relevant.

Section V: Specific features regarding the performance of the ORSA

Guideline 7 – Valuation and recognition

- 1.20. If the undertaking uses recognition and valuation bases that are different from the Solvency II basis in its assessment of its overall solvency needs, it has to explain how the different recognition and valuation bases ensure better consideration of the specific risk profile, approved risk tolerance limits and business strategy of the undertaking, while complying with the requirement for a sound and prudent management of the business.
- 1.21. The undertaking should quantitatively estimate the impact on the overall solvency needs assessment of the different recognition and valuation bases.

Guideline 8 – Assessment of the overall solvency needs

- 1.22. The undertaking should express the overall solvency needs in quantitative and qualitative terms and complement the quantification by a qualitative description of the risks.
- 1.23. For this, and where appropriate the undertaking should subject the identified risks to a sufficiently wide range of stress test/scenario analyses to provide an adequate basis for the assessment of the overall solvency needs.

Guideline 9 – Forward-looking perspective

- 1.24. The undertaking's assessment of the overall solvency needs should be forward-looking.

Guideline 10 – Regulatory capital requirements

1.25. As part of the ORSA the undertaking should ensure that the assessment of compliance on a continuous basis with the regulatory capital requirements includes, at least, an assessment of:

- a) potential future changes in the risk profile and stressed situations;
- b) the quantity and quality of its own funds over the whole of its business planning period; and
- c) the composition of own funds across tiers and how this composition may change as a result of redemption, repayment and maturity dates during the business planning period.

Guideline 11 – Technical provisions

1.26. As part of the ORSA the undertaking should ensure that the actuarial function provides input concerning the continuous compliance with the requirements regarding the calculation of technical provisions and the risks arising from this calculation.

Guideline 12 – Deviations from assumptions underlying the SCR calculation

1.27. The undertaking may initially assess deviations between its risk profile and the assumptions underlying the SCR calculation on a qualitative basis. If 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.

Guideline 13 – Link to the strategic management process and decision-making framework

1.28. 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 medium term capital management, business planning and product development and design.

Guideline 14 – Frequency of the ORSA

1.29. The undertaking should perform the ORSA at least annually. Notwithstanding this, the undertaking has to establish the frequency 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.

Section VI: Group specificities of the ORSA**Guideline 15 – Scope of the group ORSA**

1.30. The group should design the group ORSA to reflect the nature of the group structure and its risk profile. All of the entities that fall within the

scope of the group supervision should be included within the scope of the group ORSA. This includes insurance, reinsurance and non-insurance undertakings and both regulated and non-regulated (unregulated) entities, situated in the EEA and outside the EEA.

Guideline 16 – Reporting to the supervisory authorities

- 1.31. The document sent to the group supervisor with the outcome of the group ORSA should be in the same language as the group Regular Supervisory Reporting.
- 1.32. In case of a single ORSA document, where any of the subsidiaries has its head office in a Member State whose official languages are different from the languages in which the single ORSA document is reported, the supervisory authority concerned may, after consulting the group supervisor, the college of supervisors and the group itself, 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.

Guideline 17 – Assessment of overall solvency needs

- 1.33. The group ORSA should adequately identify, measure, monitor, manage and report all group specific risks and the interdependencies within the group and their impact on the group risk profile. This should take into consideration the specificities of the group and the fact that some risks may be scaled up at the level of the group.
- 1.34. The group should explain the key drivers of the overall solvency needs of the group including any diversification effects assumed.

Guideline 18- General rule for group ORSA

- 1.35. The record of the group ORSA should include, in accordance with Guideline 5, a description on how the following factors were taken into consideration in the forward-looking perspective:
 1. identification of the sources of own funds within the group if additional new own funds are necessary;
 2. the assessment of availability, transferability and fungibility of own funds;
 3. references to any planned transfer of own funds within the group and its consequences;
 4. alignment of individual strategies with those that are established at the level of the group; and
 5. specific risks the group could be exposed to.

Guideline 19 – Specific requirements for a single ORSA document covering the participating insurance or reinsurance undertaking or the insurance holding company and any subsidiary in the group

- 1.36. When applying to submit a single ORSA document, the group should provide an explanation on how the subsidiaries are covered and how the subsidiaries' administrative, management or supervisory body is involved in the assessment process and approval of the outcome.

Guideline 20 – Internal model users

1.37. In the case of using internal models, both to calculate only the group Solvency Capital Requirement under Article 230 of the Directive or group internal models under Article 231 of the Directive, the group should indicate the related undertakings within the scope of the group which do not use the internal model for the calculation of their Solvency Capital Requirement and the underlying reasons for that in the group ORSA report.

Guideline 21 – Integration of related third-country insurance and re-insurance undertakings

1.38. In the group ORSA the group should assess the risks of the business in third countries in the same manner as for EEA-business with special attention to the transferability and fungibility of capital.

Compliance and Reporting

1.39. This document contains Guidelines issued under Article 16 of the EIOPA Regulation². In accordance with Article 16(3) of the EIOPA Regulation, Competent Authorities and financial institutions must make every effort to comply with guidelines.

Explanatory text**Section I: General considerations**

1.40. 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 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 assessing, monitoring and measuring 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.

1.41. The assessment of “overall solvency needs” reflects the way undertakings propose to manage the risks they face through capital needs or other mitigation techniques. This takes into consideration the risk profile, approved risk tolerance limits and business strategy. Determining overall solvency needs is expected to contribute to assessing whether to retain or transfer risks, how best to optimise the undertaking’s capital management

² OJ L 331, 15.12.2010, p.48

and how to establish the appropriate premium levels and provides input to other strategic decisions.

- 1.42. The ORSA will also allow the undertaking to determine the adequacy of its regulatory capital position. The undertaking is required to ensure that it can meet the regulatory capital requirements in the form of the minimum capital requirement (MCR) and the solvency capital requirement (SCR) at all times and in the ORSA the undertaking has to assess whether it will succeed in this endeavour. It is also expected to consider whether the SCR, calculated with the standard formula or an internal model, is appropriate given the undertaking's risk profile.
- 1.43. An undertaking cannot simply rely on the regulatory capital requirements to be adequate for its business and risk profile. An essential part of risk management involves the undertaking performing its own assessment of the own funds (including amount, quality, etc.) it needs to hold in view of its particular risk exposure and business objectives. Since the risks the undertaking is exposed to translate into solvency needs, looking at risk and capital management separately is not appropriate.
- 1.44. As the overall solvency needs assessment is an undertaking's own analysis, undertakings have flexibility in this assessment. However, supervisory expectations are more specific with regard to the 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.
- 1.45. The ORSA may call for the performance of tasks that the undertaking has already performed in another context in which case no duplication of tasks is required but the result reached is taken into account in the ORSA.

Guideline 1 – Principle of proportionality (Article 45(2) of the Directive)

The undertaking should develop its own processes for the ORSA, tailored to fit into its organisational structure and risk management system with appropriate and adequate techniques to assess its overall solvency needs, taking into consideration the nature, scale and complexity of the risks inherent to the business.

- 1.46. An undertaking's assessment of its overall solvency needs does not necessarily call for the use of a complex approach. The methods employed may range from (simple) stress tests to more or less sophisticated economic capital models. Where such economic capital models are being used these do not need to meet the requirements of internal models for the calculation of the SCR in accordance with Articles 112 to 126.
- 1.47. The proportionality principle is to be reflected not only in the level of complexity of the methods used but also in the frequency of the ORSA to be established by the undertaking and in the level of granularity of the different analyses to be included in the ORSA.

Guideline 2 – Role of the administrative, management or supervisory body (top-down approach) (Article 45 of the Directive)

The administrative, management or supervisory body should take an active part in the ORSA including providing steering on how the assessment is to be performed and challenging its results.

- 1.48. The AMSB approves the ORSA policy and ensures that the ORSA is appropriately designed and implemented.
- 1.49. The ORSA is a very important tool for the AMSB of the undertaking providing it with a comprehensive picture of the risks the undertaking is exposed to or could face in the future. It has to enable the AMSB to understand these risks and how they translate into capital needs or alternatively require mitigation actions.
- 1.50. The AMSB challenges the identification and assessment of risks, and any factors to be taken into account. It also gives instructions on management actions to be taken if certain risks were to materialize.
- 1.51. As part of the ORSA the AMSB is also expected to challenge the assumptions behind the calculation of the SCR to ensure they are appropriate in view of the assessment of the undertaking's risks.
- 1.52. It is also the AMSB's responsibility, taking into account the insights gained from the ORSA 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 capital requirements can be met even under unexpectedly adverse circumstances.

Guideline 3 – Documentation (Article 45(2) of the Directive)

The undertaking should have in place at least the following documentation on the ORSA:

- a) **ORSA policy;**
- b) **record of each ORSA;**
- c) **internal report on ORSA; and**
- d) **ORSA supervisory report.**

- 1.53. Documenting information does not necessarily require that new reports or documents are drafted, it can be sufficient to refer to existing documents where these contain the relevant information and just record additional information if and insofar as this is necessary to present the full picture.

Section II: ORSA policy

Guideline 4 – ORSA policy (Article 45(2) of the Directive)

The ORSA policy should comply with the guidelines established under

General Governance – Policies and include additionally at least:

- a) a description of the processes and procedures in place to conduct the ORSA including how the forward-looking perspective is addressed;
- b) consideration of the link between the risk profile, the approved risk tolerance limits and the overall solvency needs;
- c) information on:
 - (i) how stress tests, sensitivity analyses or reverse stress testing are to be performed and how often they are to be performed;
 - (ii) data quality requirements; and
 - (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.

1.54. According to Article 41(3) undertakings are required to have a written policy on risk management. As risk management includes the ORSA, undertakings have to develop an ORSA policy as part of the risk management policy.

Section III: Record of each ORSA

Guideline 5 – General rule (Article 45 of the Directive)

The ORSA and its outcome should be appropriately evidenced and internally documented.

1.55. 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.

1.56. The record of each ORSA includes:

- a) The individual risk analysis, including a description and explanation of risks considered;
- b) The links between the risk assessment and the capital allocation process and an explanation of how the approved risk tolerance limits were taken into account;
- c) An explanation of how risks not covered with own funds are managed;
- d) A technical specification of the approach used for the ORSA assessment, including a detailed description of the key structure, together with a list and justification of the assumptions underlying the approach used, the process used for setting dependencies, if any, and the rationale for the confidence level chosen, if any, a description of stress tests and scenario analyses employed and the way their results were taken into account, and an explanation concerning how parameter and data uncertainty were assessed;

- e) For undertakings using an internal model approved to calculate the SCR, a description of the changes made to the approved internal model if any;
- f) An amount/range of values of the overall solvency needs over a one-year-period, as well as at the end of the business planning period and a description of how the undertaking expects to cover the needs along these years;
- g) Details on the conclusions and the rationale for them from the assessment of the continuous compliance with the requirements of regulatory capital and technical provisions;
- h) The identification and explanation of the differences identified from the comparison of the undertaking's risk profile with the assumptions underlying the calculation of the SCR. In case the deviations are considered to be significant in either direction, the internal documentation addresses how the undertaking has reacted or will react;
- i) Action plans arising from the assessment and the rationales for them. This requires the documentation to cover any strategies for raising additional own funds where necessary and the proposed timing for actions to improve the undertaking's financial condition;
- j) A description of what internal and external factors were taken into consideration in the forward-looking perspective;
- k) Details of any planned relevant management actions, including an explanation and a justification for these actions, and their impact on the assessment; and
- l) A record of the challenge process performed by the AMSB.

Section IV: Internal report on ORSA

Guideline 6 – Internal report on ORSA (Article 45 of the Directive)

Once the process and the result of the ORSA have been approved by the administrative, management or supervisory body, at least information on the results and conclusions regarding the ORSA should be communicated to all staff to whom the information is relevant.

- 1.57. The information communicated to the AMSB has to be sufficiently detailed to ensure that it is able to use it in its strategic decision-making process and other staff can ensure that any necessary follow-up action will be taken.
- 1.58. The internal report developed by the undertaking could be the basis of the ORSA supervisory report. If the undertaking considers that the internal report has an appropriate level of detail also for supervisory purposes then the same report may be submitted to the national supervisory authority.

Section V: Specific features regarding the performance of the ORSA

Guideline 7 – Valuation and recognition (Article 45(1)(a) and 45(2) of the Directive)

If the undertaking uses recognition and valuation bases that are different from the Solvency II basis in its assessment of its overall solvency needs, it has to explain how the different recognition and valuation bases ensure better consideration of the specific risk profile, approved risk tolerance limits and business strategy of the undertaking, while complying with the requirement for a sound and prudent management of the business.

The undertaking should quantitatively estimate the impact on the overall solvency needs assessment of the different recognition and valuation bases.

- 1.59. The quantitative estimate of the impact includes all balance sheet effects. The diversification effects between risks (correlations) also have to be considered in this assessment. In this the undertaking is not bound to use the correlations incorporated in the standard formula, but may employ others considered to be more suitable to its specific business and its risk profile.

Guideline 8 – Assessment of the overall solvency needs (Article 45(1)(a) of the Directive)

The undertaking should express the overall solvency needs in quantitative and qualitative terms and complement the quantification by a qualitative description of the risks.

For this, and where appropriate the undertaking should subject the identified risks to a sufficiently wide range of stress test/scenario analyses to provide an adequate basis for the assessment of the overall solvency needs.

- 1.60. In its assessment of the overall solvency needs an undertaking could decide not to use capital as a buffer for all its quantifiable risks but to manage and mitigate those risks instead. However, it still has to assess all material risks.
- 1.61. The assessment covers all material risks, including non-quantifiable risks like reputational risk or strategic risk, amongst others. The assessment could take several forms. 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. It is however required that the undertaking demonstrates the rationale for the assessment.
- 1.62. When an insurance undertaking belongs to a group its ORSA has to consider all group risks that may impact materially the individual entity.

- 1.63. As the risk profile is influenced by the risk mitigation techniques used by the undertaking, the assessment of the impact and the effectiveness of reinsurance and other risk mitigation techniques plays a role in the ORSA. Where there is no effective risk transfer this has to be taken into account in the assessment of the overall solvency needs.
- 1.64. After identifying all the risks it is exposed to, the undertaking takes a decision on whether they will be covered with capital or managed with risk mitigation tools or both.
- 1.65. If risks are to be covered by capital, there is a need to estimate the risks and identify the level of materiality. For material risks, the undertaking has to determine the capital required and explain how they will be managed.
- 1.66. If the risks are managed with risk mitigation techniques, the undertaking explains which risks are going to be managed by which technique and the underlying reasons.
- 1.67. 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 and volatility of its own funds with particular regard to their loss-absorbing capacity under different scenarios.
- 1.68. Conducting an assessment of the overall solvency needs properly involves input from across the whole undertaking. One difference to the SCR calculation is that for the overall solvency needs assessment the undertaking considers all material risks, including long term risks it could face within the timeframe determined by its business planning period. Although the SCR only takes quantifiable risks into account, the undertaking is expected to identify and assess the extent to which non-quantifiable risks are part of its risk profile and to ensure that they are properly managed.
- 1.69. The assessment of the overall solvency needs is at least expected to:
 - a) Reflect the risks arising from all assets and liabilities, including intra-group and off-balance sheet arrangements;
 - b) Reflect the undertaking's management practices, systems and controls including the use of risk mitigation techniques;
 - c) Assess the quality of processes and inputs, in particular the adequacy of the undertaking's system of governance, taking into consideration risks that may arise from inadequacies or deficiencies;
 - d) Connect business planning to solvency needs;
 - e) Include explicit identification of possible future scenarios;
 - f) Address potential external stress; and
 - g) Use a valuation basis that is consistent throughout the overall solvency needs assessment.
- 1.70. When assessing the overall solvency needs, an undertaking also has to take into account management actions that may be adopted in adverse circumstances. When relying on such prospective management actions, an

undertaking assesses the implications of taking these actions, including their financial effect, and takes into consideration any preconditions that might affect the efficacy of management actions as risk mitigators. The assessment also has to address how any management actions would be enacted in times of financial stress.

- 1.71. Undertakings using an internal model for the calculation of the SCR are required to develop and carry out, on a regular basis, their own stress tests and scenario analyses as part of the validation standards. Undertakings may need to develop further stresses and scenarios for the ORSA and the process for setting the stress and scenarios should be consistent with internal model requirements.
- 1.72. Where the undertaking uses the standard formula as a baseline for its assessment of its overall solvency needs, it is expected to demonstrate that this is appropriate to the risks inherent in its business and reflects its risk profile.
- 1.73. If undertaking-specific parameters are approved to be employed in the SCR calculations, as submitted by the undertaking, these have to be the same as those used in the overall solvency needs assessment.
- 1.74. In the case of internal model users, the explanations and justifications required for internal models approval can be used, if appropriate in the context of the ORSA. Nevertheless specific explanations will cover any use of a different recognition or valuation basis in the ORSA than in the internal model used to calculate the SCR.

Guideline 9 – Forward-looking perspective (Article 45 of the Directive)

The undertaking's assessment of the overall solvency needs should be forward-looking.

- 1.75. The analysis of the undertaking's ability to remain a going concern and the financial resources needed to do so over a possibly longer time horizon than taken into account in the calculation of the SCR is an important part of the ORSA.
- 1.76. 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 appropriate. These projections, if appropriate, are required to feed into the ORSA in order to enable the undertaking to form an opinion on its overall solvency needs and own funds.
- 1.77. The undertaking needs to project its capital needs over its business planning period. This projection is to be made considering likely changes

to the risk profile and business strategy over the projection period and sensitivity to the assumptions used.

- 1.78. The length of the business planning period may differ between undertakings. However, any regularly developed business plan or changes to an existing business plan need to be reflected in the ORSA taking into account the new risk profile, business volume and mix as expected at the end of the projection period. In order to provide a proper basis for decision-making and identify material risks and the consequences for solvency inherent in the business plan, a range of possible scenarios for the plan have to be tested.
- 1.79. To this end an undertaking also identifies and takes into account external factors that could have an adverse impact on its overall solvency needs or its own funds. External factors that could have an adverse effect on undertakings can, for example, entail changes in the economic conditions, in the legal or fiscal environment, in the insurance market or on the technical developments that have an impact on the underwriting risk or any other event the crystallisation of which is sufficiently probable that it has to be properly considered. The capital management plans and capital projections require the undertaking to consider how it might respond to unexpected changes in external factors.
- 1.80. 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 decide on its own reasonable methods, assumptions, parameters, dependencies or levels of confidence to be used in the projections.
- 1.81. 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.

Guideline 10 – Regulatory capital requirements (Article 45(1)(b) of the Directive)

As part of the ORSA the undertaking should ensure that the assessment of compliance on a continuous basis with the regulatory capital requirements includes, at least, an assessment of:

- a) potential future changes in the risk profile and stressed situations;**
- b) the quantity and quality of its own funds over the whole of its business planning period; and**
- c) the composition of own funds across tiers and how this composition may change as a result of redemption, repayment and maturity dates during the business planning period.**

- 1.82. For the assessment of the compliance on a continuous basis with the regulatory capital and technical provisions requirements within the ORSA,

the recognition and valuation bases have to be in line with the Solvency II principles.

- 1.83. Continuous compliance does not constitute an obligation to recalculate the full regulatory capital requirements all of the time. To enable it to estimate with sufficient accuracy changes in its capital requirements and eligible own funds' since the last full solvency calculation it may be appropriate for a calculation of some aspects and an estimation of others. The choice between a calculation and an estimate, and frequency of the calculation, will depend on the volatility of the capital requirements and the own funds as well as on the level of solvency. These decisions are at the discretion of the undertaking and the undertaking is expected to be able to justify both the frequency and whether a full, partial or estimate of the calculation of the regulatory capital requirements is undertaken. A full calculation is in any case required if the risk profile changes significantly according to Article 102(1) subparagraph 4 of the Directive.
- 1.84. Changes in an undertaking's risk profile will affect the MCR and the SCR and therefore need to be reflected in the capital management process. The undertaking's risk management decisions need to take into account its overall solvency needs, its regulatory capital requirements and its financial resources and how a change in risk profile may impact on these.
- 1.85. The assessment also needs to consider the changes to the own funds position that might occur in stressed situations. The undertaking is expected to carry out stress tests and scenario analyses to assess the resilience of the business.
- 1.86. In considering the own funds with relation to changes in capital requirements the undertaking at least has to take into account:
 - a) the extent to which eligible own funds are greater than the SCR, and the loss which the undertaking could incur before a breach of the SCR might occur; and/or
 - b) whether it holds sufficient funds to meet an increase in SCR because an increase in the SCR could mean items which were previously ineligible, due to the operation of the limits, may become eligible as a result of an increased SCR.
- 1.87. When considering the quantity, quality and composition of its own funds, the undertaking has to consider the following:
 - a) the mix between basic own funds and ancillary own funds, and also between tiers, their relative quality and loss absorbing capacity;
 - b) net cash flows which result from the inclusion in technical provisions of premiums on existing business that are expected to be received in the future (EPIFP); and
 - c) how it can ensure compliance with the SCR and MCR following a reduction in own funds (whether caused by losses or volatility in valuation) or from an increase in capital requirements.
- 1.88. When considering future own fund requirements the undertaking has to consider:

- a) Capital management including, at least issuance, redemption or repayment of capital instruments, dividends and other distributions of income or capital, and calls on ancillary own fund items. This has to include both projected changes and contingency plans in the result of a stressed situation;
 - b) The extent to which the undertaking relies on own fund items under transitional arrangements and the period until these provisions expire;
 - c) The interaction between the capital management and its risk profile and its expected and stressed evolution;
 - d) If required, its ability to raise own funds of an appropriate quality and in an appropriate timescale. This has to have regard to: its own access to capital markets; the state of the markets; its dependence on a particular investor base, investors or other members of its group; and the impact of other undertakings seeking to raise own funds at the same time;
 - e) How the average duration of own fund items (contractual, maturity or call dates), relates to the average duration of its insurance liabilities and future own funds needs; and
 - f) The methods and main assumptions used to calculate net cash flows resulting from the inclusion in technical provisions of premiums on existing business that are expected to be received in the future (EPIFP); and how it might respond to any changes in basic own funds resulting from changes in those cash flow expectations.
- 1.89. The undertaking also assesses and identifies relevant compensating measures and offsetting actions it realistically could take to restore or improve capital adequacy or its cash flow position after some future stress events.
- 1.90. Capital management has to take into account the available timeframe for remedial actions in accordance with Articles 138 and 139 of the Directive as well as the characteristics of the business of the undertaking.

Guideline 11 – Technical provisions (Article 45(1)(b) of the Directive)

As part of the ORSA the undertaking should ensure that the actuarial function provides input concerning the continuous compliance with the requirements regarding the calculation of technical provisions and the risks arising from this calculation.

- 1.91. Assessing whether the requirements relating to technical provisions are being complied with continuously requires processes and procedures relating to a regular review of the calculation of the technical provisions to be in place.
- 1.92. The input regarding the compliance with requirements and risks arising from the calculation of technical provisions has to be in line with the information contained in the annual report of the actuarial function.

Guideline 12 – Deviations from assumptions underlying the SCR calculation (Article 45(1) (c) of the Directive)

The undertaking may initially assess deviations between its risk profile and the assumptions underlying the SCR calculation on a qualitative basis. If 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.

- 1.93. The assessment of the significance with which the risk profile of the undertaking deviates from the assumptions underlying the SCR calculation is an important tool in ensuring that the undertaking understands the assumptions underlying its SCR calculation and considers whether those assumptions are appropriate. To do this, the undertaking will have to compare those assumptions with its own understanding of its risk profile. This process needs to prevent an undertaking from simply relying upon regulatory capital requirements as being adequate for its business.
- 1.94. In order to help standard formula users in the assessment, information on the assumptions on which the SCR calculation is based will be made available to undertakings.
- 1.95. If the standard formula is used, the undertaking has to assess the material deviations of its specific risk profile against the relevant assumptions underlying the (sub) modules of the SCR calculation according to the standard formula, the correlations between the (sub) modules and the building blocks of the (sub) modules.
- 1.96. The areas in which differences between the undertaking's risk profile and the assumptions underlying the SCR calculation may arise to which the undertaking needs to give due consideration are: from risks that are not considered in the standard formula and from risks that are under/overestimated by the standard formula compared to the risk profile. The assessment process includes:
 - a) An analysis of the risk profile and an assessment of the reasons why the standard formula is appropriate, including a ranking of risks;
 - b) An analysis of the sensitivity of the standard formula to changes in the risk profile, including the influence of reinsurance arrangements, diversification effects and the effects of other risk mitigation techniques;
 - c) An assessment of the sensitivities of the SCR to the main parameters, including undertaking-specific parameters;
 - d) An elaboration on the appropriateness of the parameters of the standard formula or of undertaking-specific parameters;
 - e) An explanation why the nature, scale and complexity of the risks justify any simplifications used; and
 - f) An analysis of how the results of the standard formula are used in the decision making process.

- 1.97. If the outcome of this qualitative and quantitative assessment is that there are significant deviations between the risk profile of the undertaking and the SCR calculation, the undertaking needs to consider how this could be addressed. It could decide to align its risk profile with the standard formula, to use undertaking-specific parameters, where this is allowed, or to develop a (partial) internal model. Alternatively, the undertaking could decide to de-risk.
- 1.98. It is unlikely that the undertaking can determine whether the risk profile deviates significantly from the assumptions underlying the SCR by comparing the amount of the overall solvency needs as identified through the ORSA with the SCR. Since overall solvency needs and SCR can be calculated on different bases and may include different items, the amounts produced will not be readily comparable. There are a number of reasons that could account for the differences that have nothing to do with deviations of the risk profile, such as:
- a) The undertaking may operate at a different confidence level or risk measure for business purposes compared to the assumptions on which the SCR calculation is based. For instance, it may choose to hold own funds for rating purposes, which represents a higher confidence level than that used to calibrate the SCR.
 - b) The undertaking may use a time horizon for its business planning purposes that differs from the time horizon underlying the SCR.
 - c) In the ORSA the undertaking may consider any agreed management actions that could influence the risk profile.

Internal model users

- 1.99. Where the undertaking uses an internal model for the calculation of the SCR, the undertaking needs to demonstrate that the internal model plays an important role in the ORSA as set out in Article 120 of the Solvency II Directive.
- 1.100. An internal model is in itself a tool for the ORSA and the ORSA is a tool for the internal model in the sense that the performance of the ORSA gives input to the on-going exercise of ensuring compliance with the tests and standards. According to the requirements, internal model users have to comply, at the approval date and in an on-going concern, with the use test, statistical quality standards, calibration standards, profit and loss attribution test, validation standards and documentation standards. Each feature of the ORSA could play an important role in this exercise.

Internal model users – Overall Solvency Needs

- 1.101. To pass the use test, approved internal models must play an important role in the ORSA. This does not necessarily mean that the assessment of the overall solvency needs is solely accomplished by running the internal model. In this context, the ORSA includes the assessment of:
- a) the impact of the excluded material risks or major lines of business on the solvency position in the case of partial internal model;

- b) the interrelationship between risks which are in and outside the scope of the model; and
- c) the identification of risks other than those covered by the internal model, which may trigger a change to the internal model.

Internal model users – Deviation from assumptions underlying the SCR calculation

- 1.102. Although an internal model will reflect the undertaking's risk profile at the time of approval, this may diverge over time as the risk profile of the undertaking evolves. 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.
- 1.103. The undertaking has to assess the assumptions underlying its calculation of the SCR according to its internal model in order to ensure they remain adequate and that the internal model continues to appropriately reflect its risk profile.

Guideline 13 – Link to the strategic management process and decision-making framework (Article 45(4) of the Directive)

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 medium term capital management, business planning and product development and design.

- 1.104. In deciding on the business strategy the undertaking has to take into account the output from the ORSA.
- 1.105. As an integral part of the business strategy, an undertaking needs to have in place its own strategies for managing its overall solvency needs and regulatory capital requirements and integrating this with the management of all material risks to which it is exposed. Hence the ORSA feeds into the management of the business, in particular into the strategic decisions, operational and management processes.
- 1.106. The ORSA is required to reflect the business strategy. When performing the ORSA, the undertaking hence takes into account the business strategy and any strategic decisions influencing the risk situation and regulatory capital requirement, as well as overall solvency needs. In reverse, the AMSB needs to be aware of the implications strategic decisions have on the risk profile and regulatory capital requirements and overall solvency needs of the undertaking and to consider whether these effects are desirable, affordable and feasible given the quantity and quality of its own funds. Any strategic or other major decisions that may materially affect the risk and/or own funds' position of the undertaking need to be considered through the ORSA before such a decision is taken. This does not require a full performance of the ORSA: the undertaking considers how the output of the last assessment of the overall solvency needs would change if certain decisions were taken and how these decisions would affect the regulatory capital requirements.

1.107. Where the undertaking is relying on management processes, in particular systems and controls in order to mitigate risks, it considers the effectiveness of those systems and controls in a stress situation.

Guideline 14 – Frequency of the ORSA (Article 45 of the Directive)

The undertaking should perform the ORSA at least annually. Notwithstanding this, the undertaking has to establish the frequency 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.

1.108. The ORSA has to be performed on a regular basis and in any case directly following any significant change in the risk profile of the undertaking.

1.109. The undertaking decides when to perform the regular ORSA which as a rule needs to use the same reference date as the SCR calculation, but different reference dates could be acceptable if there has been no material change in the risk profile between them.

1.110. The ORSA performed after any significant change of the risk profile is called a non-regular ORSA. In this regard undertakings are expected to use their experience from stress tests and scenario analyses to determine whether changes in external factors could impact the undertaking's risk profile significantly.

1.111. 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.

Section IV: Group specificities of the ORSA

Guideline 15 – Scope of the group ORSA (Articles 212 and 246(4) of the Directive)

The group should design the group ORSA to reflect the nature of the group structure and its risk profile. All of the entities that fall within the scope of the group supervision should be included within the scope of the group ORSA. This includes insurance, reinsurance and non-insurance undertakings and both regulated and non-regulated (unregulated) entities, situated in the EEA and outside the EEA.

1.112. The group ORSA adequately captures all specificities of the group, including at least

- a) risks specific to the group (e.g. stemming from non-regulated entities, interdependencies within the group and their impact on the group's risk profile)†

- b) risks that might not be taken into account at individual level, but have to be taken into consideration at group level (e.g. contagion risks);
- c) differences between undertakings of the group, such as business strategy, business planning period and risk profile;
- d) national specificities, their effects and reflection on group level.

1.113. The participating insurance or reinsurance undertaking or insurance holding company responsible for the group ORSA needs to ensure that all the necessary information for carrying out the group ORSA and the ORSA results are reliable.

(Re)insurance undertakings

1.114. The reference to (re)insurance undertakings covers all entities taking-up insurance or reinsurance activities including captive (re)insurance undertakings.

Third country entities

1.115. 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.

1.116. Groups need to take account of any restrictions or challenges to the assessment at group level that may arise from third country undertakings. For example, this might include any impediments to accessing information and restrictions on the timeliness of information to be provided by the undertakings.

Regulated non-(re)insurance undertakings

1.117. The group ORSA assesses all material risks arising from regulated non-(re)insurance entities within the group, since these entities contribute to the group solvency proportionate to the share held by the participating undertaking in accordance with Article 221.

Unregulated entities

1.118. Whilst unregulated entities are not subject to solo supervision and are not expected to perform ORSA at the individual level, they have to be included in the scope of group ORSA. if they fall within the scope of Group supervision."

1.119. The nature of the assessment with respect to unregulated entities will depend on the nature, size and complexity of each unregulated entity and its role within the group. Some unregulated entities 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, unregulated entities such as insurance holding companies may be just instrumental (e.g. 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.

Guideline 16 – Reporting to the supervisory authorities (Articles 153 and 246(4) of the Directive)

The document sent to the group supervisor with the outcome of the group ORSA should be in the same language as the group Regular Supervisory Reporting.

In case of a single ORSA document, where any of the subsidiaries has its head office in a Member State whose official languages are different from the languages in which the single ORSA document is reported, the supervisory authority concerned may, after consulting the group supervisor, the college of supervisors and the group itself, 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.

1.120. The following table summarises the reporting requirements linked to group ORSA:

		Article 254(2), Article 35(2) (a)(i) and draft Article 294 SRS1	Article 254(2) and Article 35(2) (a)(ii)
Group ORSA (not including the assessment at individual level of the subsidiaries)	Participating undertaking	Group ORSA supervisory report reported to the group supervisor, plus information in the group SFCR and in the group RSR	Group ORSA supervisory report reported to the group supervisor whenever an ORSA is performed
	Subsidiary	Solo ORSA supervisory report includes cross references to the group ORSA (supervisory report), plus information in the solo SFCR and RSR	Solo ORSA supervisory report includes cross references to the group ORSA (supervisory report).
Individual ORSA (at subsidiaries' individual level)			
Single ORSA document covering all the assessments (article 246(4) 3rd subparagraph option)	Participating undertaking	Single ORSA supervisory report submitted to all supervisory authorities concerned whenever a regular ORSA is performed, plus information in the group SFCR and in the group RSR	Single ORSA supervisory report submitted to all supervisory authorities concerned whenever a non-regular ORSA is performed

1.121. Specifically, the following two situations could arise:

- a) The participating undertaking does not apply for the single ORSA document. In this case, the participating insurance or reinsurance undertaking or the insurance holding company performs the ORSA at the level of the group and the individual undertaking performs its individual ORSA.

- b) The participating insurance or reinsurance undertaking or the insurance holding company opts for a single ORSA document. In this case a single ORSA supervisory report has to be provided. Nevertheless compliance with Article 45 needs to be ensured by the subsidiaries concerned. It is required in the Directive that the document has to be submitted to all supervisory authorities concerned. This applies to the regular ORSA report and also for reports following predefined events.

Guideline 17 – Assessment of overall solvency needs (Article 45 of the Directive)

The group ORSA should adequately identify, measure, monitor, manage and report all group specific risks and the interdependencies within the group and their impact on the group risk profile. This should take into consideration the specificities of the group and the fact that some risks may be scaled up at the level of the group.

The group should explain the key drivers of the overall solvency needs of the group including any diversification effects assumed.

- 1.122. The group ORSA identifies the impact on the group solvency and related undertakings arising from all material risks that the group is facing. In addition to risks considered in the SCR calculation, all material risks including group specific risks particularly risks that are not easily quantifiable, have to be taken into consideration.
- 1.123. The group ORSA describes the interrelationships between the risks of the participating insurance or reinsurance undertaking or the insurance holding company and of the individual undertakings.
- 1.124. The group ORSA also assesses the materiality of risks that arise at the level of the group and are specific for groups and thus cannot be identified at the individual level. Hence those group specific risks are not taken into account in the consolidation or aggregation process depending on the choice of calculation method used.
- 1.125. The group specific risks include at least:
- a) contagion risk (spill-over effect of risks that have manifested in other parts of the group);
 - b) risks arising from intra-group transactions and risk concentration, notably in relation to:
 - (i) participations;
 - (ii) intra-group reinsurance or internal reinsurance;
 - (iii) intra-group loans;
 - (iv) intra-group outsourcing;
 - c) interdependencies within the group and their impact in the group risk profile;
 - d) currency risk;

e) risks arising from the complexity of the group structure.

1.126. In addition to the information required in 1.23 at the group level, the group ORSA document includes:

- a) a description of the materiality of each related entity at the group level, particularly the contribution of each related entity to the overall group risk profile.
- b) the outcome of the comparison between the group overall solvency needs and the sum of the solo overall solvency needs; and assessment of any diversification effects assumed at the group level.

1.127. A group specific component of the group ORSA, compared to the solo ORSA, is the analysis of diversification effects assumed at group level. This includes analysis of the reasonableness of the diversification effects assumed at the group level compared to the risk profile of the group and the overall solvency needs of the group.

1.128. The analysis of the diversification effects at group level generally includes:

- a) To determine the difference between the group overall solvency needs and sum of the solo overall solvency needs.
- b) objective and economic allocation of the difference in (a) above to each entity of the group, taking into account any ring fencing arrangements that may exist at the group level.
- c) appropriate sensitivity analysis, stress and scenario tests (e.g. how an envisaged material change in the group structure such as selling some related entities may impact on the diversification effects at group level and the overall group solvency).
- d) consistency of diversification effects assumed between different related entities of a group and for each related entity, the consistency of diversification effects assumed between different risk drivers.

Guideline 18- General rule for group ORSA

The record of the group ORSA should include, in accordance with Guideline 5, a description on how the following factors were taken into consideration in the forward-looking perspective:

- 1. identification of the sources of own funds within the group if additional new own funds are necessary;**
- 2. the assessment of availability, transferability and fungibility of own funds;**
- 3. references to any planned transfer of own funds within the group and its consequences;**
- 4. alignment of individual strategies with those that are established at the level of the group; and**
- 5. specific risks the group could be exposed to.**

1.129. From a quantitative perspective, it is expected that the group ORSA policy outlines different stress tests and scenario analyses. At the level of the

group, such tests include additionally the risks that are specific to groups or materialise only at group level.

Guideline 19 – Specific requirements for a single ORSA document covering the participating insurance or reinsurance undertaking or the insurance holding company and any subsidiary in the group (Articles 246(4), 248 to 252 of the Directive)

When applying to submit a single ORSA document, the group should provide an explanation on how the subsidiaries are covered and how the subsidiaries' administrative, management or supervisory body is involved in the assessment process and approval of the outcome.

1.130. The single ORSA document needs to reflect the nature, scale and complexity of the group and the risks within it. The single ORSA document focuses on the material parts of the group, but according to Article 246(4) it does not exempt subsidiaries from the obligations relating to the ORSA at individual level. This means that the single ORSA document also has to document the assessments undertaken by insurance and reinsurance subsidiary undertakings at the individual level under Article 45.

1.131. If a group plans to submit a single group ORSA report, the administrative, management or supervisory body of the group needs to take into consideration the following criteria when assessing the appropriateness of submitting a single group ORSA document:

- a) the results of each subsidiary concerned are individually identifiable in the foreseen structure of the single ORSA document to enable a proper supervisory review process to be carried out at the individual level by the individual supervisors concerned;
- b) the single ORSA report satisfies the requirements of both the group supervisor as well as the individual supervisors concerned.

Guideline 20 – Internal model users (Article 45(3) of the Directive)

In the case of using internal models, both to calculate only the group Solvency Capital Requirement under Article 230 of the Directive or group internal models under Article 231 of the Directive, the group should indicate the related undertakings within the scope of the group which do not use the internal model for the calculation of their Solvency Capital Requirement and the underlying reasons for that in the group ORSA report.

1.132. The description of differences between the risk profile of the group and the group SCR calculated by the group internal model, and demonstration of the awareness of that fact from group perspective, are similar to those required at individual level.

1.133. The group ORSA specifically includes the assessment of whether the risk profiles of the entities whose SCR is not calculated by the group model are reflected adequately in the group SCR.

- 1.134. The relation between the internal model used for the calculation of group solvency and the group ORSA, depends on the scope of this internal model. The following special situations need to be considered:
- a) some related undertakings are excluded from the scope of the internal model for the calculation of group solvency;
 - b) some related undertakings are included in the scope of the internal model for the calculation of group solvency, but their Solvency Capital Requirement is not calculated with this internal model.
- 1.135. In the first case some undertakings might be excluded from the scope of the group internal model. The scope of the model is covered by the approval process of the model itself. In this case, the group ORSA contains certain information on the non-modelled part of the group:
- a) an assessment of the non-modelled part of the group;
 - b) the impact of the non-modelled part on the group solvency position;
 - c) the relationship with the modelled part.
- 1.136. The group ORSA addresses all issues which are not included in the scope of the model but which have an impact on the group financial position.
- 1.137. In the second case the group ORSA includes the assessment of:
- a) deviations which are a consequence of using a standard formula or another model (different from the group internal model) based on different assumptions from the group internal model;
 - b) possible interactions between entities whose SCR is calculated by the group model and entities whose SCR is calculated by the standard formula (those interactions are expected to be taken into account in calculations of SCR of entities using the group internal model);
 - c) whether the risk profiles of the entities whose SCR is not calculated by the group model are nevertheless reflected adequately in the group SCR.
- 1.138. The appropriateness of the standard formula or another model for the individual level is also addressed in the group ORSA. Additionally, the group ORSA assesses the rationale for not using the group model to calculate the solo SCR of every undertaking that is part of the group.
- 1.139. When an internal model is used, certain issues which are negligible from the group perspective can be significant at the individual level. Therefore, the group ORSA should pay a special attention to such a situation. Material risks which are not properly addressed in the standard formula at the group level are in principle covered by the group internal model, which calculates capital requirements for the group.

Guideline 21 – Integration of related third-country insurance and re-insurance undertakings (Article 227(1) of the Directive)

In the group ORSA the group should assess the risks of the business in third countries in the same manner as for EEA-business with special attention to the transferability and fungibility of capital.

1.140. The business of these third countries undertakings is assessed taking into account the following considerations:

- a) Both where the solvency regime of a third country has been deemed to be equivalent to that laid down in the Directive and where that is not the case, the group should carry out the assessment of the overall solvency needs set out in Article 45(1)(a) in the same manner as for EEA undertakings. Integration of risks of third countries undertakings with the risks of EEA undertakings in the group, should guarantee that similar risks are homogeneously assessed from an economic point of view;
- b) Both where the solvency regime of a third country has been deemed to be equivalent to that laid down in the Directive and where that is not the case, the group needs particularly to assess the transferability and fungibility of the third country undertaking own funds, The assessment explicitly identifies the regulation of the third country that may hinder or impede the full fungibility and transferability of the own funds of the subsidiaries of such third country towards to any other undertaking of the group. The assessment must explicitly identify the regulation of the third country that may hinder or impede the full fungibility and transferability of the own funds of the subsidiaries of such third country towards to any other undertaking of the group;
- c) If third country entity is included in the group solvency assessment using local rules and the deduction and aggregation method (in case of equivalence), the assessment of the significance with which the risk profile of the subsidiary of such country deviates from the assumptions underlying the solvency capital requirement, as set out in Article 45(1)(c), shall refer to the capital requirements as laid down in the regulations of such a third country. This assessment has to carry out both at a holistic level and at a more granular level, where the group assesses the specific deviations of each material element of the calculation of the capital requirement.

1.141. The group ORSA includes a separate and adequate disclosure of any material information concerning third countries undertakings.