

Comments Template on Consultation Paper on the Proposal for Guidelines on Forward Looking assessment of the undertaking's own risks (based on the ORSA principles)		Deadline 19 June 2013 12:00 CET
Name of Company:	Insurance and Reinsurance Stakeholder Group (IRSG)	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ Do not change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool ⇒ Leave the last column <u>empty</u>. ⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph or a cell, keep the row <u>empty</u>. ⇒ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. <p>Please send the completed template, in Word Format, to CP-13-009@eiopa.europa.eu. Our IT tool does not allow processing of any other formats.</p> <p>The numbering of the paragraphs refers to this Consultation Paper, the numbering of cells refers to the Technical Annexes II and III.</p>		
Reference	Comment	Resolution
General Comment	<p>The guidelines are focusing on the Forward looking assessment of the ORSA explaining that this forward looking assessment can be undertaken irrespective of what regulatory quantitative requirements are applicable and so eventhough Pillar 1 is not clear.</p> <p>The 2 other parts of ORSA: (i) assessment of the continuous compliance with regulatory capital requirements and the requirements on technical provisions (ii) and</p>	

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the assessment of the significance of the deviation of the risk profile of an undertaking from the assumptions underlying the calculation of the SCR have a strong connection solvency II Pillar 1 which are not yet applicable during preparatory period.

However, the Guideline 3 sets the full scope for ORSA as a requirement for all undertakings :

- Falling in the 80% of the market as defined for pillar 3 transitory measures
- Or groups falling in scope for submitting annual quantitative information
- Or undertakings with an internal model

This leads to the requirement to perform a calculation which is not clearly defined, for an assessment which is not a regulatory basis and that will add to the requirement to compare with an internal model "approvable" by the NCAs. There is little room for an "own risk and solvency assessment" under this framework, meaning for an economic capital reflecting how the company consider its risk exposure. This will not help undertakings to draw management attention on the results of the ORSA. **Eventhough an agreement is reached on Pillar 1 by end 2013, the guidelines are too constraining for an interim period. And if no agreement is reached, it is simply not feasible.**

Calibrate or calculate pillar 1 figures without an adopted basis is not feasible.
The supervisory benefit of an instrument such as a forward looking assessment which is not based on a stable and clear basis is more than questionable.
The outcome of the LTGA shows that it is risky to suppose compliance with Solvency II for all undertakings without having found an appropriate solution for the long term guarantee business. In addition, the definition of compliance with Solvency II is still unclear until at least the Omnibus II has been adopted.
The guidelines of a forward looking assessment which is included in package of interim measures are not principles based but consist of very detailed regulations and processes where no clear legal basis is available. The rules are very detailed and elaborated and the requirements of the documentation are complicated to fulfill.

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We would have welcomed Guidelines providing incentive to implement, run and report on a true and internally trusted ORSA process, built on the assessment methodology reflecting the current internal management understanding of risk exposure and solvency position.

Similarly, for an undertaking with no internal model, the assessment of whether or how the risk profile of an undertaking compares with the assumptions underlying the standard formula may prove difficult. The EIOPA paper describing the assumptions underlying the standard formula is essential to help there.

Explanatory text

There are problematic discrepancies between the guidelines and the explanatory text that lead to uncertainty about what requirements companies need to fulfil. The explanatory text on several occasions provides more detailed, additional requirements in a prescriptive way, rather than providing additional information and examples.

The discrepancy pointed out here need to be corrected and the way to do it is to make the explanatory text less prescriptive, not adding requirements in the guidelines. The following are prominent examples of when the explanatory text inappropriately can be read as providing additional requirements: Paragraphs 3.18 (record of each FLA), 3.36 (components of the ORSA), and 3.59 (process for analysing deviations from assumptions) of the explanatory text document.

**Introduction General
Comment**

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1.15	For this purpose, and in respect with the proportionality principle, it should be possible for the AMSB to delegate any sub-committee which could tackle relevant issues aiming at FLA. The composition of this committee should be balanced in order to reflect the diversity of the AMSB.	
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Section I. General Comments		
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1.28	Interim measures should focus on the preparedness of internal models instead of the standard formula for undertakings engaged in the pre-application process.	
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Section II. General Comments		
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1.33	The specification of “stress tests, sensitivity analyses and reverse stress tests” requires the undertaking to perform defined methods for the assessment. In our view this is too precise and more flexibility should be granted to the undertaking in line with the aim “that the guidelines focus on what is to be achieved by this assessment rather than how it is to be performed” (1.12).	
1.34	Full documentation of the record of each ORSA process should be required only when the process is fully implemented under Solvency II, considering the overall	

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	development until the effective entry in force.	
1.35	This report has to be communicated <i>to specifically interested classes of stakeholder including working council or any equivalent body.</i>	
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Section III. General Comments		
1.37	This guideline is inconsistent with the approach described in the Cover note. By requiring all undertakings to quantify the impact on the overall solvency needs of using different recognition and valuation basis, EIOPA is imposing Solvency II Pillar I calculations to all undertakings.	
1.38	Same as comment above: This guideline is inconsistent with the approach described in the Cover note. By requiring all undertakings to quantify the impact on the overall solvency needs of using different recognition and valuation basis, EIOPA is imposing Solvency II Pillar I calculations to all undertakings.	
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Section IV. General Comments		

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1.48	The guidelines requires more than 4 detailed reports (guideline 20) by the undertaking and the supervisor but it still does not solve the important issue of the language in groups. Guideline 20 still does not refer on English as the common and accepted language. The value of solo reports and group reporting is also questionable.	
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Compliance and Reporting Rules General Comments		
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Impact Assessment – General Coments		
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Question 1		
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2.66	These paragraphs should not be applicable for undertakings which are in the internal model pre-application process as the assessment of the deviations from the standard formula is part of this process and especially the application process itself.	
2.67	See 2.66	
2.68	See 2.66	
2.69	See 2.66	
2.70	See 2.66	
2.71	The use of the standard formula and the respective results should not be a common part of the ORSA for undertakings in the pre-application process for an internal model,	

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	neither for the preparatory phase nor for future ORSA guidelines. Especially the resources for this additional effort should be better used in the pre-application process of Internal models (also compare the respective interim measure on pre-application) in order to best prepare for Solvency II which is the aim of the preparatory phase. However, we agree that undertakings cannot rely on their internal model being approved so that the standard formula has to be seen as the fallback solution (also part of interim measure on pre-application). Nevertheless, the analysis of the difference between Internal Model and Standard Formula results is part of the internal model application anyway.	
2.72	See 2.71	
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