

Comments Template on CP8 -Draft proposal for Guidelines on ORSA		Deadline 20 January 2012 12:00 CET
Name of Company:		
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	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, <u>in Word Format</u>, to cp008@eiopa.europa.eu. Our IT tool does not allow processing of any other formats.</p> <p>The numbering of the paragraphs refers to Consultation Paper 008.</p>		
Reference	Comment	
General Comment		
3.1.		
3.2.		
3.3.	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?	
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	Comments Template on CP8 -Draft proposal for Guidelines on ORSA	Deadline 20 January 2012 12:00 CET
3.5.		
3.6.	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 2 nd 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.	
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3.11.	See 3.3.	
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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).	
3.16.	s. 3.16. The role and responsibility of AMSB should be specified.	
3.17.	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	

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	up to date. Are you going to propose any guidance on this conflict of interest in relation to reporting timelines?	
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.	
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3.29.	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.	
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3.31.	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).	
3.32.	Also here, the requirements for sub-groups should be specified.	
3.33.	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	

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	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.	
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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 levels), e.g. if only 80 percent of the group undertakings project the solvency position for the third planning year.	
3.37.		
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)?	
3.39.		
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 ?	
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Comments Template on CP8 -Draft proposal for Guidelines on ORSA		Deadline 20 January 2012 12:00 CET
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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?	
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4.20.	So there should be a regular and systematic materiality assessment process in place.	
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4.24.	In our view, off-balance sheet dependencies should be analysed and evaluated (as part of materiality assessment).	
4.25.	Undertakings should at least demonstrate that the standard formula is realistic and appropriate to	

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	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).	
4.26.		
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4.28.	In our view, the requirements for reputational and strategic risk assessment should be specified.	
4.29.	See 3.33. Language requirements should be specified for international insurance groups / financial conglomerates obliged to fulfil this requirement.	
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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.	
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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.	
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Comments Template on CP8 -Draft proposal for Guidelines on ORSA		Deadline 20 January 2012 12:00 CET
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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).	
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4.61.	This requires that a regular materiality assessment and internal model scoping process needs to be aligned with the ORSA reporting process. e) needs clarification - is a quantification of minor model changes necessary for ORSA reporting?	
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Comments Template on CP8 -Draft proposal for Guidelines on ORSA		Deadline 20 January 2012 12:00 CET
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4.96.	This requirement for a single ORSA document seems to be only practicable for sub-groups or groups in one country where ORSA results of the subsidiaries can adequately be covered.	
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