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Comments Template on CEIOPS-CP 52 Consultation Paper on the Draft L2 Advice on SCR Standard Formula – Reinsurance mitigation		Deadline 11.09.2009 4 p.m. CET
Name of Company:		
Disclosure of comments:	CEIOPS will make all comments available on its website, except where respondents specifically request that their comments remain confidential. Please indicate if your comments should be treated as confidential:	No
	The numbering of the paragraphs refers to Consultation Paper No. 52 (CEIOPS-CP-52/09).	
Reference	**Comment**	
General Comment	A large proportion of reinsurance captive insurance companies are reinsuring risks underwritten by large commercial insurers. Most captives do not have their own security rating. This business will be severely impacted if reinsurance to a non-rated captive is not recognised as effective transfer of risk. As a minimum the costs of conducting this business will be increased and it may become not economically viable. The worst case scenario is that commercial insurers are no longer willing to reinsure to unrated captives as they are unable receive credit for this in their SCR calculation. The result is that the Captives Parent Companies will not be able to purchase the equivalent covers from the commercial market and will have an uninsured exposure. Commercial Insurers are now conducting their own due diligence before reinsuring to captives, which must meet their security criteria. Insurers should be allowed to make their own judgement in dealing with captives, having the comfort of the financial rating of the Parent company and the Captives ability to meet the SCR. ***Please note that where a comment has not been made on a particular paragraph, this does not indicate that we agree with the paragraph.***	

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3.3.	Consideration of reinsurance risk mitigation techniques whether it might be a proportional and non-proportional set-up should be recognised in the calculation of the SCR using the standard formula and/or any other simplifications.	
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3.35.	The majority of captive insurance companies do not have a financial rating. As they are subject to Solvency II, captives can demonstrate that they are not in breach of the SCR but due to the nature of captive companies, the requirement to demonstrate that they meet at least the standard of a BBB company is not practical. ECIROA suggests that reinsurance to captives should meet the requirements provided they demonstrate that they meet the SCR and the financial rating of their Parent Company is at least BBB.	
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