

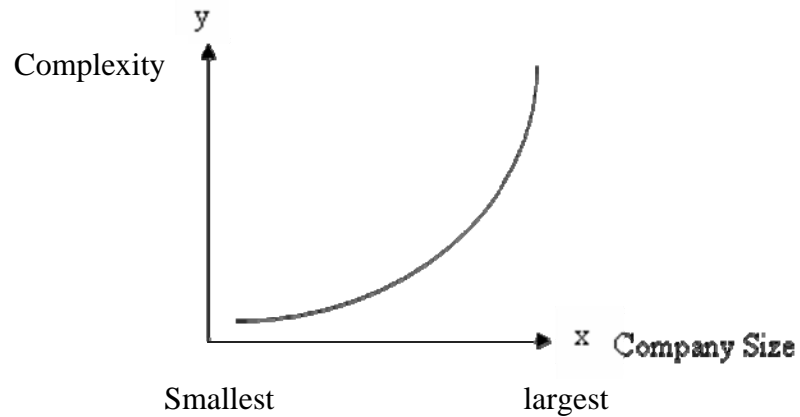


Comments Template on CEIOPS-CP 77 Consultation Paper on the Draft L2 Advice on Simplifications for SCR		Deadline 11.12.2009 12.00 CET
Name of Company:	European Captive Insurance and Reinsurance Owners' Association	
Disclosure of comments:	CEIOPS will make all comments available on its website, except where respondents specifically request that their comments remain confidential. Please indicate if your comments should be treated as confidential:	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". ⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph, keep the row <u>empty</u>. ⇒ Our IT tool does not allow processing of comments which do not refer to the specific paragraph numbers below. <ul style="list-style-type: none"> ○ If your comment refers to multiple paragraphs, please insert your comment at the first relevant paragraph and mention in your comment to which other paragraphs this also applies. ○ If your comment refers to sub bullets/subparagraphs, please indicate this in the comment itself. <p>Please send the completed template, in Word Format, to secretariat@ceiops.eu. Our IT tool does not allow processing of any other formats.</p> <p>The numbering of the paragraphs refers to Consultation Paper No. 77 (CEIOPS-CP-77/09).</p>		
Reference	Comment	
General	ECIROA strongly believes that a proportionality principle cannot be expressed in mathematical forms. From	

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Comment	<p>a common sense point of view and due to the diversity of insurance undertakings, each and every single company has to be assessed on its own scale, nature and complexity. It is not possible to accept the description, where besides scale “nature and complexity of risks are closely related”. There are three different criteria:</p> <p>Scale determining the size/amount of a risk</p> <p>Nature determining the risk, either from Underwriting or Market or, with a huge variety of single risks and different curve shapes (based on line of business, sub lines, country, jurisdiction, costumer groups, retail-commercial-industry-FI’s etc., investment strategies (asset classes / again different per country)).</p> <p>Complexity All of these have to be aligned and added up. describes how “easy” it is to understand i.e. to know about details of a company or group and all their interdependencies.</p> <p style="text-align: center;">This might be expressed in a table such as this:</p>	

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This means: with increasing company size, the complexity is growing steeply.
 This demonstrates why large insurers will have a lot more difficulty presenting a consistent / transparent / true picture of a big group in comparison to small undertakings.
 The more or less identical use of uncertainty and model error is not acceptable.

Uncertainty is a basis which allows more or less aggressive / volatile / conservative / restrictive strategies, i.e. wilful act and decision to use the parameters and calibration an insurance company wants to start with. = i.e. ex ante.

Model errors are discovered always ex post and may be distinguished between those based on a wilful



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	decision and those caused by a negligent or unexpected mistake.	
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