



Comments Template on Consultation Paper on on the Proposal for Guidelines on the System of Governance		Deadline 19 June 2013 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">⇒ <u>Do not change the numbering</u> 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 CP-13-008@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>		



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Reference	Comment	Resolution
General Comment	<p>We emphasize our commitment to implement Sol II recognizing that it is more sophisticated than Sol I. We advise again to consider that the more descriptive the requirements are, the less room is left to the application of the Proportionality Principle because NCAs will implement even more tough and challenging rules which may reduce the opportunity and ability to apply guidelines in an appropriate way. EIOPA should determine haircuts to avoid a competition between the NCAs with the potential consequence of a flight to arbitrage advantages by choosing the “perfect” NCA.</p> <p>Captives are simple structures and therefore there is a limited number of persons involved in their daily management as well as in their strategic decision-making processes. This is consistent with the needs and the risks inherent to their middle/long term business issues and day-to-day operations.</p> <p>Solvency II in general and Pillar 2 in particular provides captives with the opportunity to formalize and develop their organizational structure and daily operations, thus enhancing their existing controls.</p> <p>A key function, a control measure, and a report whether addressed to internal or external stakeholders, must be justified by the scale and complexity of the business. The materiality of the overall governance structure must be aligned with the materiality of the business.</p>	



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	<p>This also applies when considering the cumulation of functions by one single person or entity. Simple structures and businesses leave indeed very limited space for uncertainties and unconsidered actions enabling a single person or entity to adress several issues in a coherent and robust way. The need to manage conflicts of interest is an important general point in relation to all governance roles, functions and activities but this should not lead to exaggerations</p> <p><u>Comments on the ORSA for captives</u> As per governance issues, although we understand the necessity to adress risk issues in a qualitative and quantitative manner over a certain period of time, one shall preserve the possibility for captives to treat qualitative and quantitative aspects of their risks in a way that is adapted to their culture and business. This means avoiding the imposition of strong and wide requirements at an European level. Based on the principle of proportionality and the inherent major differences between the types of undertakings on the insurance and reinsurance markets (from single-risk captives to multinational and higly-diversified insurance companies), the ORSA shall cover a wide range of approaches. And questioning the relevancy of the ORSA shall focus more on the quality of the justification than on the complexity of the chosen approach. This would both encourage all undertakings to play an active role in the implementation of the Directive and enable them to define along with local regulators a coherent and flexible model whose materiality is - once again - adjusted to the materiality of their respective business.</p>	



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Introduction General Comment		
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1.7	<p>Deadline consulation paper : June 19,2013 Deadline definitive document : end of 2013</p> <p>If the National competent authorities have to put in place the guidelines as set out in this document from the 1st January 2014, it is not possible for the undertakings to be compliant starting from the same date. Undertakings shall thus be able to comply with these preparatory guidelines in a progressive manner, keeping in mind the expected date of Solvency II full entry into force.</p>	
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Section I. General Comments		
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Section II. General Comments		
Chapter I General Comments		
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1.21	Small, medium size re-/insurers and captives should be allowed to assign more than one key function (other than internal audit) to one individual based on the Principle of Proportionality	
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1.23	In the explanatory text EIOPA may clarify that it is not necessary that there be two executives, for example in the case of captive undertakings, one of the parties to decisions may be a non-executive director.	
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1.28	Could you confirm that all policies required as part of the system of governance could be consolidated into one global governance document, as long as they address each topic required by the Directive?	
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1.30	Where the mangement of the undertaking is outsourced, it can also outsource contingency planning to its service provider provided it checks and approves the plan. For captives and smaller undertakings a proportionate approach to contingency planning must be accepted.	
Chapter II General Comments		

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1.31	Given the large variety of experiences, qualifications, and in the end profiles which could attest a sufficient level of knowledge in the required fields as well as the width of the fields themselves , proofs of knowledge to be provided to the regulator should not be limited in type or format (CV, training certification, interventions of experts, seminars...). This is particularly important for fields of knowledge such as “e) regulatory framework and requirements”.	
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1.36	For captives which are members of industrial, commercial or financial institution groups, this guideline may not be workable as stated (because outsourcing may be managed at a group level).	
Chapter III General Comments		
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1.40	With regards to risk categories: could the undertaking define its own risk categories, ensuring that all areas mentioned in Article 44 of Solvency II (underwriting and reserving, asset-liability management, investment, liquidity and concentration, operational risk, reinsurance and other risk mitigation techniques) are properly covered?	

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1.45	An automated and complex database for incident collecting and monitoring is disproportionate for small undertakings. Instead could such organisations use a declaratory table, filled by operational employees on an ongoing basis, supervised by the risk management function – as a “system for collecting and monitoring operational risk events”?	
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1.49	a) The application of the asset –liability management in currency: is it by main currency zone or by local currency?	
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Chapter IV General Comments		
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1.53	How could “does not solely depend on the information provided by (...)” be understood for small undertakings? Setting up an “own” assessment methodology for the credit / investment risk isisproportionate for such organisations. If a small undertaking implements an investment committee, consisting of persons with sufficient financial skills and knowledge, who challenge the information provided by third parties; would this system be considered as compliant with EIOPA’s requirement on this topic?	
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Chapter V General Comments		

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Chapter VI General Comments		
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Chapter VII General Comments		
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Chapter VIII General Comments		
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1.79	Presently, the actuary is only required to calculate the IBNR and the SCR for reinsurance undertakings. Technical provisions are first calculated by the cedant – based on their own expertise in the matter - and provided to reinsurance undertakings. Given that the initial provisions have already been calculated and certified by an actuary in compliance with SII requirements within the cedantes, it is excessive to replicate these controls at the reinsurance level. Is it thus necessary for the actuary of the reinsurance undertaking to re-control these technical provisions?	
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1.84	Could you detail further what you consider as a “material deviation” between projection and real?	
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Chapter IX General Comments		
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Section III. General Comments		
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Compliance and		

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Reporting Rules General Comments		
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Impact Assessment – General Coments		
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