



Comments Template on CEIOPS-CP 47 Consultation Paper on the Draft L2 Advice on SCR Standard Formula – Market Risk		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. 47 (CEIOPS-CP-47/09).		
Reference	Comment	
General Comment	<p>Due to the size of most captive insurance companies, it is not cost effective for them to spread their investments around a number of Banks. Often, captives will invest with one Bank and in the case of captives owned by Financial Institutions, this can be with their Parent Company. Other captives may lend capital back to the Parent company. Under the current module for concentration risk, this will have a significant impact upon the capital charge and could result in the Parent being required to increase the capital paid to its captive. ECIROA suggests that a look-through approach could be adopted (similar to SICAVs) in circumstances where the funds are invested by the treasury function of the Parent (where the diversification will be handled).</p> <p>Alternatively, concentration risk could be moved to Pillar 2 (following the Basle II approach) thereby allowing this risk to be handled by the local Supervisor.</p> <p><i>Please note that where a comment has not been made on a particular paragraph, this does not indicate that we agree with the paragraph.</i></p>	



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3.3.	The results of QIS4 for captives show different percentages. The largest component was concentration risk contributing 78% of the market risk charge.	
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4.4.	The interest rate risk scenarios do not affect the SCR for captives to a greater extend. For many captives only the liabilities are subject to the interest risk scenario since the assets are mostly short term.	
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4.97.	<p>The concentration risk sub-module represents on average 78% of the total market risk module for captives whereas it represents 9.5% on average for the insurance market (cf. 3.6).</p> <p>This shows clearly the captive specificity and the necessity according to the proportionality principle regarding the nature, scale and complexity of the risk, to define an appropriate simplified method.</p> <p>ECIROA believes that Concentration Risk should be moved to Pillar II (which follows the structure under Basle II) but understands that this change would have to be accepted by the Commission.</p>	
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Annex A		
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