

Comments Template on CEIOPS-CP 57 Consultation Paper on the Draft L2 Advice on Capital add on		Deadline 11.09.2009 4 p.m. CET
Name of Company:	European Insurance CFO Forum	
Disclosure of comments:	<p>CEIOPS will make all comments available on its website, except where respondents specifically request that their comments remain confidential.</p> <p>Please indicate if your comments should be treated as confidential:</p>	No. The CFO Forum comments are not confidential.
<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. 57 (CEIOPS-CP-57/09).</p>		
Reference	Comment	
General Comment	The CFO Forum would like to stress the importance of ongoing dialogue between the supervisor and the management of the supervised undertaking in situations where Capital Add-Ons are considered.	

Comments Template on CEIOPS-CP 57 Consultation Paper on the Draft L2 Advice on Capital add on		Deadline 11.09.2009 4 p.m. CET
	The CFO Forum also highlight the requirement of the level 1 text which articulates that Capital Add-Ons may only be set in "exceptional circumstances" and as a "last resort measure".	
1.		
1.1.		
1.2.		
1.3.		
1.4.		
1.5.		
1.6.		
1.7.		
1.8.		
1.9.		
2.		
3.		
3.1.		
3.2.		
3.3.		
3.4.		
3.5.		
3.6.		
3.7.		
3.8.		

Comments Template on CEIOPS-CP 57 Consultation Paper on the Draft L2 Advice on Capital add on		Deadline 11.09.2009 4 p.m. CET
3.9.		
3.10.		
3.11.		
3.12.		
3.13.		
3.14.		
3.15.		
3.16.		
3.17.		
3.18.		
3.19.		
3.20.		
3.21.		
3.22.		
3.23.		
3.24.		
3.25.		
3.26.		
3.27.		
3.28.		
3.29.		

Comments Template on CEIOPS-CP 57 Consultation Paper on the Draft L2 Advice on Capital add on		Deadline 11.09.2009 4 p.m. CET
3.30.		
3.31.		
3.32.		
3.33.		
3.34.		
3.35.		
3.36.		
3.37.		
3.38.		
3.39.		
3.40.		
3.41.		
3.42.		
3.43.		
3.44.		
3.45.		
3.46.		
3.47.		
3.48.		
3.49.		
3.50.		

Comments Template on CEIOPS-CP 57 Consultation Paper on the Draft L2 Advice on Capital add on		Deadline 11.09.2009 4 p.m. CET
3.51.		
3.52.	<p>Harmonisation between paragraphs 3.52 and 3.251 is required</p> <p>3.52 states: "A harmonised reference value of [5%-15%] of the overall SCR is established at Level 2"</p> <p>3.251 states: "Regarding the assessment of the significance of a risk profile deviation CEIOPS will wait for the comments to be received under this Consultation Paper before deciding on the advice on a Level 2 measure".</p> <p>These paragraphs appear contradictory and the treatment requires clarification.</p>	
3.53.		
3.54.		
3.55.		
3.56.		
3.57.		
3.58.		
3.59.		
3.60.		
3.61.		
3.62.		
3.63.		
3.64.		
3.65.		
3.66.		
3.67.		

Comments Template on CEIOPS-CP 57 Consultation Paper on the Draft L2 Advice on Capital add on		Deadline 11.09.2009 4 p.m. CET
3.68.		
3.69.		
3.70.		
3.71.		
3.72.		
3.73.		
3.74.		
3.75.		
3.76.		
3.77.		
3.78.		
3.79.		
3.80.		
3.81.		
3.82.		
3.83.		
3.84.		
3.85.		
3.86.		
3.87.		
3.88.		

Comments Template on CEIOPS-CP 57 Consultation Paper on the Draft L2 Advice on Capital add on		Deadline 11.09.2009 4 p.m. CET
3.89.		
3.90.		
3.91.		
3.92.		
3.93.		
3.94.		
3.95.		
3.96.		
3.97.		
3.98.		
3.99.		
3.100.		
3.101.		
3.102.		
3.103.		
3.104.		
3.105.		
3.106.		
3.107.		
3.108.		
3.109.		

Comments Template on CEIOPS-CP 57 Consultation Paper on the Draft L2 Advice on Capital add on		Deadline 11.09.2009 4 p.m. CET
3.110.		
3.111.		
3.112.		
3.113.		
3.114.		
3.115.		
3.116.		
3.117.		
3.118.		
3.119.		
3.120.		
3.121.		
3.122.		
3.123.		
3.124.		
3.125.		
3.126.		
3.127.		
3.128.		
3.129.		
3.130.		

Comments Template on CEIOPS-CP 57 Consultation Paper on the Draft L2 Advice on Capital add on		Deadline 11.09.2009 4 p.m. CET
3.131.		
3.132.		
3.133.		
3.134.		
3.135.		
3.136.		
3.137.		
3.138.		
3.139.		
3.140.		
3.141.		
3.142.		
3.143.		
3.144.		
3.145.		
3.146.		
3.147.		
3.148.		
3.149.		
3.150.		
3.151.		

Comments Template on CEIOPS-CP 57 Consultation Paper on the Draft L2 Advice on Capital add on		Deadline 11.09.2009 4 p.m. CET
3.152.		
3.153.		
3.154.		
3.155.		
3.156.		
3.157.		
3.158.		
3.159.		
3.160.		
3.161.		
3.162.		
3.163.		
3.164.		
3.165.		
3.166.		
3.167.		
3.168.		
3.169.		
3.170.		
3.171.		
3.172.		

Comments Template on CEIOPS-CP 57 Consultation Paper on the Draft L2 Advice on Capital add on		Deadline 11.09.2009 4 p.m. CET
3.173.		
3.174.		
3.175.		
3.176.		
3.177.		
3.178.		
3.179.		
3.180.		
3.181.		
3.182.		
3.183.		
3.184.		
3.185.		
3.186.		
3.187.		
3.188.		
3.189.		
3.190.		
3.191.		
3.192.		
3.193.		

Comments Template on CEIOPS-CP 57 Consultation Paper on the Draft L2 Advice on Capital add on		Deadline 11.09.2009 4 p.m. CET
3.194.		
3.195.		
3.196.		
3.197.		
3.198.		
3.199.		
3.200.		
3.201.		
3.202.		
3.203.		
3.204.		
3.205.		
3.206.		
3.207.		
3.208.		
3.209.		
3.210.		
3.211.		
3.212.		
3.213.		
3.214.		

Comments Template on CEIOPS-CP 57 Consultation Paper on the Draft L2 Advice on Capital add on		Deadline 11.09.2009 4 p.m. CET
3.215.		
3.216.		
3.217.		
3.218.		
3.219.		
3.220.		
3.221.		
3.222.		
3.223.		
3.224.		
3.225.		
3.226.		
3.227.		
3.228.		
3.229.		
3.230.		
3.231.		
3.232.		
3.233.		
3.234.		
3.235.		

Comments Template on CEIOPS-CP 57 Consultation Paper on the Draft L2 Advice on Capital add on		Deadline 11.09.2009 4 p.m. CET
3.236.		
3.237.		
3.238.		
3.239.		
3.240.		
3.241.	<p>More detailed disclosure is required from regulators as to the reason why a Capital Add-On is required.</p> <p>The CP requires only brief disclosure by regulators of the reasons why a Capital Add-On is required. Further, disclosure of the Add-On is the responsibility of the local regulator and could be at any point up to 5 years after the capital add on is applied. Given that this is market sensitive data, it is important that this is disclosed in a consistent manner.</p> <p>Regulators should produce a report to the entity within 3-4 months of the Capital Add-On being advised setting out:</p> <ul style="list-style-type: none"> • the reasons why a Capital Add-On is required; • why other measures would not be sufficient; • the methodology and assumptions used to calculate the add-on; and • actions required for the Capital Add-On to be removed. <p>In situations where a Capital Add-On is set due to deficiencies in the governance requirements, it is of importance to understand how a requirement for more capital would compensate for poor governance so as to avoid the risk that the Add-On is perceived as a punitive rather than corrective measure.</p>	
3.242.		
3.243.		
3.244.		
3.245.		

Comments Template on CEIOPS-CP 57 Consultation Paper on the Draft L2 Advice on Capital add on		Deadline 11.09.2009 4 p.m. CET
3.246.		
3.247.		
3.248.		
3.249.		
3.250.		
3.251.	Comments in 3.52 are also relevant here.	
3.252.		
3.253.		
3.254.	<p>Requirements should be strengthened to ensure a harmonised assessment.</p> <p>To ensure a harmonised assessment, the sentence: "...supervisory authorities should consider all relevant conditions to deviate from the reference value. These may include:" should be strengthened to read: "...supervisory authorities should consider all relevant conditions to deviate from the reference value. These should include:"</p>	
3.255.		
3.256.		
3.257.		
3.258.		
3.259.	<p>The term "relevant conclusion" in c) is not well defined.</p> <p>The use of the term "relevant conclusion" in this context is unclear and is very subjective. The CFO Forum recommends a clear definition is provided in the level 2 implementation measures.</p>	

**Comments Template on CEIOPS-CP 57
Consultation Paper on the Draft L2 Advice on Capital add on**

**Deadline
11.09.2009
4 p.m. CET**

3.260.	<p>The regulator’s process for setting Capital Add-On needs to be more prescriptive.</p> <p>The proposals to quantify Capital Add-On and material deviation appear arbitrary. In order to facilitate harmonisation and minimise implementation difficulties, greater clarity is required.</p> <p>The CFO Forum recommends that a clear definition of the term “timely manner” is added to the level 2 implementation measures.</p> <p>There is a need for greater communication between all relevant stakeholders throughout the implementation process.</p> <p>There is a need for regular communication between companies, the regulator and CEIOPS to assess progress and identify potential areas of non-compliance throughout the implementation of Solvency II.</p> <p>There is a need for communication between stakeholders throughout each level of the Lamfalussy process, especially level 4 during which transposition and harmonisation of Solvency II will be assessed.</p>	
3.261.		
3.262.		
3.263.		
3.264.		
3.265.		
3.266.		
3.267.		
3.268.		
3.269.		
3.270.		
3.271.	<p>If an alternative design is found which better fits the undertaking’s risk profile, this should</p>	

Comments Template on CEIOPS-CP 57 Consultation Paper on the Draft L2 Advice on Capital add on		Deadline 11.09.2009 4 p.m. CET
	<p>be treated as a new partial internal model with the capital requirement becoming the result of the new model. There would then be no requirement to hold a Capital Add-On</p> <p>In cases of underestimation, the CP requires an undertaking to develop alternative designs to better fit its risk profile. If such a design is found and agreed with the supervisor, this should be treated as a new partial internal model with the capital requirement becoming the result of the new capital model. There would therefore be no requirement to hold a Capital Add-On as the capital requirement would be the same in each case.</p>	
3.272.		
3.273.	<p>Using a "crude" basis to calculate the Capital Add-On will result in a measure without sufficient depth and which is difficult to compare across peers.</p> <p>The calculation of the Capital Add-On should have sufficient complexity to be a meaningful valuation of the perceived risk. Public rather than confidential information should be used so that a comparison of the results can be made of across peers.</p> <p>The methodology and assumptions used calculate the Capital Add-On should be subject to independent review and recommendations to verify consistency with guidance and facilitate harmonisation.</p>	
3.274.	<p>The process by which the supervisory authority will identify material risk not covered by the standard formula is not clear.</p> <p>It is not clear how the supervisory authority will perform its risk assessment of the undertaking. For example, will this be performed in conjunction with the undertaking? Also, clarification is required as to how the supervisory authority will ensure the assessment is superior to one carried out by the undertaking itself.</p> <p>Comments in 3.273 are also relevant here.</p>	
3.275.		
3.276.		
3.277.		
3.278.	Comments in 3.271 are also relevant here.	

Comments Template on CEIOPS-CP 57 Consultation Paper on the Draft L2 Advice on Capital add on		Deadline 11.09.2009 4 p.m. CET
3.279.		
3.280.		
3.281.	Comments in 3.273 are also relevant here.	
3.282.	<p>The evidence used to assess significant deviations in the risk profile of the undertaking from the assumptions used in the SCR and the process for objectively identifying the assumptions being challenged is not well defined.</p> <p>It is not clear what evidence the supervisory authority will consider when deciding if the risk profile of a company deviates from the assumptions underlying the SCR. The process for identifying objectively what assumptions are being challenged is not well defined and we recommend that more clarity is provided around the evidence required.</p> <p>The principles governing the determination of thresholds of significant deviation for a solo entity should be formally agreed as part of the group internal model approval process and should not automatically lead to Capital Add-Ons.</p> <p>As part of the group internal model approval process, the principles governing the determination of thresholds for significant deviations in risk profile for solo entities should be agreed. Any significant deviations in practice should be compared to these thresholds as a first step rather than automatically leading to Capital Add-Ons.</p>	
3.283.	Given our second comment in 3.282, there is no need to specify the cases set out here and described in 3.284 to 3.295.	
3.284.	Comments in 3.274 and 3.283 are also relevant here.	
3.285.	Comments in 3.283 are also relevant here.	
3.286.	Comments in 3.283 are also relevant here.	
3.287.	Comments in 3.283 are also relevant here.	
3.288.	Comments in 3.283 are also relevant here.	

Comments Template on CEIOPS-CP 57 Consultation Paper on the Draft L2 Advice on Capital add on		Deadline 11.09.2009 4 p.m. CET
3.289.	Comments in 3.273, 3.283 are also relevant here.	
3.290.	Comments in 3.283 are also relevant here.	
3.291.	Comments in 3.283 are also relevant here.	
3.292.	Comments in 3.283 are also relevant here.	
3.293.	Comments in 3.283 are also relevant here.	
3.294.	Comments in 3.283 are also relevant here.	
3.295.	Comments in 3.283 are also relevant here.	
3.296.		
3.297.	The criteria in c) are too detailed relative to the general criteria set out in the other points. We recommend that this is adapted to be less specific.	
4.		
4.1.		
4.2.		
4.3.		
4.4.		
4.5.		
4.6.		
4.7.		
4.8.		
4.9.		
4.10.		
4.11.		

Comments Template on CEIOPS-CP 57 Consultation Paper on the Draft L2 Advice on Capital add on		Deadline 11.09.2009 4 p.m. CET
4.12.		
4.13.		
4.14.	<p>We recommend that guidance on the role of the college is removed from CP57 and dealt with solely in CP 60.</p> <p>CP57 provides guidance around the role of the College. However, some of this guidance is repetition of guidance in CP60: Advice on Group Solvency Assessment. To avoid the risk of inconsistent or contradictory implementing measures, we recommend that guidance on the role of the college is removed from CP57 and dealt with solely in CP 60.</p>	
4.15.		
4.16.		
4.17.	Comments in 4.14 are also relevant here.	
4.18.	Comments in 4.14 are also relevant here.	
4.19.	Comments in 4.14 are also relevant here.	
4.20.		
4.21.		
4.22.		
4.23.		
4.24.		
4.25.		
4.26.		
4.27.		
4.28.	Comments in 4.14 are also relevant here.	
4.29.		

Comments Template on CEIOPS-CP 57 Consultation Paper on the Draft L2 Advice on Capital add on		Deadline 11.09.2009 4 p.m. CET
4.30.		
4.31.		
4.32.		
4.33.		
4.34.		
4.35.		
4.36.	<p>The CFO Forum disagrees with the assertion that the group Capital Add-On should be the sum of the solo Capital Add-Ons.</p> <p>The assertion here is that the group Capital Add-On is be the sum of the solo Capital Add-Ons. We disagree with this assertion and believe that the appropriateness of holding each solo Add-On should be considered at the group level. In this respect, the advice in 4.36 contradicts that in 4.37.</p>	
4.37.	Comments in 4.14 and 4.36 are also relevant here.	
4.38.		
4.39.		
4.40.	Comments in 4.14 are also relevant here.	
4.41.		
4.42.		
5.		
5.1.		
5.2.		
5.3.		
5.4.		

Comments Template on CEIOPS-CP 57 Consultation Paper on the Draft L2 Advice on Capital add on		Deadline 11.09.2009 4 p.m. CET
5.5.		
6.		
6.1.		
6.2.		
6.3.		
6.4.		
6.5.		
6.6.		
6.7.		
6.8.		
6.9.		
6.10.		
6.11.		
6.12.		
6.13.		
6.14.		
6.15.		
6.16.		
6.17.		
6.18.		
6.19.		

Comments Template on CEIOPS-CP 57 Consultation Paper on the Draft L2 Advice on Capital add on		Deadline 11.09.2009 4 p.m. CET
6.20.		
6.21.		
6.22.		
6.23.		
6.24.		
Annex 3		