

**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:	Association of Financial Mutuals	
Disclosure of comments:	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"; 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, in Word Format, 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>		
Reference	Comment	Resolution
General Comment	<p>The Association of Financial Mutuals represent financial mutual insurers within the UK, with 53 member companies and assets approach £100 billion. We welcome the chance to comment on this consultation paper.</p> <p>We have one general comment on the whole paper. It is difficult to see to whom the guidelines will be applied. Will it be applied to firms that are within the current Directives on insurance business or will it be applied to firms that are within the Solvency II Directive? There are firms in the UK which are non-directive under the current regime but will become directive under the</p>	

Comments Template on Consultation Paper on on the Proposal for Guidelines on the System of Governance		Deadline 19 June 2013 12:00 CET
	Solvency II regime and also firms that are currently complying with the current directives who will become non-directive under Solvency II. We would suggest that EIOPA should state that the firms covered should be those who will be directive under Solvency II.	
Introduction General Comment		
1.1		
1.2		
1.3		
1.4		
1.5		
1.6		
1.7		
1.8	We welcome the comment from EIOPA that the new restrictions on investment management will not apply until Solvency II becomes fully operational. We question whether firms will be able to bring in the prudent person principle and not run into differences with the existing investment control regime.	
1.9	We note that the framework for technical provisions will be 'provided later'. It would be helpful if EIOPA could specify how and when it will provide this framework if Level 2 and 3 text is delayed due to no clear decision being made on Omnibus 2 and the LTGA.	
1.10	We welcome the emphasis on proportionality but remain concerned whether NCAs will fully adhere to this principle in practice.	
1.11		
1.12	It is difficult to reconcile the statement that the guidelines will apply from 1/1/2014 with the later text implying that firms should prepare for Solvency II by developing their systems to comply with the guidelines over 2014. We would suggest that the 1/1/2014 date could imply that all of the corporate governance issues need to be in place by 1/1/2014 which would shorten the	

**Comments Template on
Consultation Paper on on the Proposal for Guidelines
on the System of Governance**

**Deadline
19 June 2013
12:00 CET**

	preparation period considerably. Can we suggest that the paragraph is changed to read : ‘The National Competent Authorities should apply the guidelines progressively through 2014 and aim for full compliance by 31/12/2014. It is also important to ensure the Guidelines to no inadvertently result in insurers being forced to comply with Solvency II before it is formally adopted. We believe a clear glidepath is required, over a period longer than 2014.	
Section I. General Comments		
1.13		
1.14	The use of the word « continuous » is potentially ambiguous and would result in unrealistic and excessively onerous requirements if taken literally.	
1.15		
Section II. General Comments		
Chapter I General Comments		
1.16		
1.17		
1.18		
1.19		
1.20		
1.21		
1.22		
1.23	We believe that the two person statement here is vague and open to misinterpretation. We would suggest that the statement is revised to require that the administrative, management and supervisory body (or AMSB) has sufficient challenge within its decisions. This means that	

**Comments Template on
Consultation Paper on on the Proposal for Guidelines
on the System of Governance**

**Deadline
19 June 2013
12:00 CET**

	members of the body must be competent and show independence from the CEO and should number more than one person.	
1.24		
1.25		
1.26		
1.27		
1.28		
1.29		
1.30		
Chapter II General Comments		
1.31		
1.32	The requirement to have « qualification, experience and knowledge about....actuarial analysis » could be interpreted as requiring all AMSBs to have an actuary as a member. Is this the intention?	
1.33		
1.34		
1.35		
1.36		
Chapter III General Comments		
1.37		
1.38		
1.39		

**Comments Template on
Consultation Paper on on the Proposal for Guidelines
on the System of Governance**

**Deadline
19 June 2013
12:00 CET**

1.40		
1.41		
1.42		
1.43	The use of the list could result in only these items being considered – this is also the case for 1.43 where a more general comment would be helpful rather than identify two particular issues.	
1.44		
1.45	A specific comment on proportionality would help here.	
1.46		
1.47	A specific comment on proportionality would help here.	
1.48		
1.49		
1.50		
1.51		
Chapter IV General Comments		
1.52		
1.53	<p>We have some concerns on the ability of smaller firms (many of which in the UK are our members) being able to repeat the work of rating agencies on all of the investments held by the firm. We believe that EIOPA are not asking firms to repeat all the work and carry out their own assessment of the risk at the depth that would be carried out by a rating agency. Therefore, we would suggest that this paragraph should be rephrased to state</p> <p>Rating agency results should be supplemented by general market information. The AMSB should not automatically follow ratings from rating agencies.</p>	

**Comments Template on
Consultation Paper on on the Proposal for Guidelines
on the System of Governance**

**Deadline
19 June 2013
12:00 CET**

	This, we feel gives the result that EIOPA is seeking without requiring all firms to create the rating agency expertise in-house.	
1.54		
1.55		
1.56		
1.57		
1.58		
1.59		
1.60		
1.61		
1.62		
1.63		
Chapter V General Comments		
1.64	We welcome the use of the wording “the undertaking should be developing” as this emphasises the glidepath to eventual Solvency II compliance rather than immediate compliance when the Guidelines are introduced. Similar wording elsewhere would be helpful.	
1.65		
1.66	We comment separately on the technical issues with the FLAORP approach where until clarity is obtained on the LTGP it is unclear on what basis forward projections of capital requirements should be made.	
Chapter VI General Comments		

**Comments Template on
Consultation Paper on on the Proposal for Guidelines
on the System of Governance**

**Deadline
19 June 2013
12:00 CET**

1.67		
1.68		
1.69		
Chapter VII General Comments		
1.70		
1.71		
1.72		
1.73		
1.74		
1.75		
1.76		
Chapter VIII General Comments		
1.77		
1.78		
1.79		
1.80		
1.81		
1.82		
1.83		
1.84		

Comments Template on Consultation Paper on on the Proposal for Guidelines on the System of Governance		Deadline 19 June 2013 12:00 CET
1.85		
1.86		
1.87	The requirement to report "all tasks" seems unnecessarily onerous, and is probably not required. We would suggest clearer wording here.	
Chapter IX General Comments		
1.88		
1.89		
1.90		
1.91		
Section III. General Comments		
1.92		
1.93		
1.94		
1.95		
1.96		
1.97		
1.98		
1.99		
Compliance and Reporting Rules General Comments		

**Comments Template on
Consultation Paper on on the Proposal for Guidelines
on the System of Governance**

**Deadline
19 June 2013
12:00 CET**

1.100		
1.101		
1.102		
1.103		
Impact Assessment – General Coments		
2.1		
2.2		
2.3		
2.4		
2.5		
2.6		
2.7		
2.8		
2.9		
2.10		
2.11		
2.12		
2.13		
2.14		
2.15		
2.16		
2.17		
2.18		
2.19		

**Comments Template on
Consultation Paper on on the Proposal for Guidelines
on the System of Governance**

**Deadline
19 June 2013
12:00 CET**

2.20		
2.21		
2.22		
2.23		
2.24		
2.25		
2.26		
2.27		
2.28		
2.29		
2.30		
2.31		
2.32		
2.33		
2.34		
2.35		
2.36		
2.37		
2.38		
2.39		
2.40		
2.41		
2.42		
2.43		
2.44		
2.45		

**Comments Template on
Consultation Paper on on the Proposal for Guidelines
on the System of Governance**

**Deadline
19 June 2013
12:00 CET**

2.46		
2.47		
2.48		
2.49		
2.50		
2.51		
2.52		
2.53		
2.54		
2.55		
2.56		
2.57		
2.58		
2.59		
2.60		
2.61		
2.62		
2.63		
2.64		
2.65		
2.66		
2.67		
2.68		
2.69		
2.70		

