

<b>Comments Template on Consultation Paper on on the Proposal for Guidelines on the System of Governance</b>		<b>Deadline 19 June 2013 12:00 CET</b>
Name of Company:	MGM Advantage	
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"> <li>⇒ Do <b>not</b> change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool</li> <li>⇒ Leave the last column <u>empty</u>.</li> <li>⇒ 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>.</li> <li>⇒ Our IT tool does not allow processing of comments which do not refer to the specific numbers below.</li> </ul> <p><b>Please send the completed template, in Word Format, to <a href="mailto:CP-13-008@eiopa.europa.eu">CP-13-008@eiopa.europa.eu</a>. Our IT tool does not allow processing of any other formats.</b></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
<b>General Comment</b>	The Cover Note for the Consultations provided a very clear explanation that the purpose of the Guidelines, if adopted by National Competent Authorities, was to put in place a process for monitoring how insurers were progressing towards the eventual requirement to comply with the final requirements of the Directive. This is made clear in paragraphs 1.5, 4.2 (second bullet point) and 4.6. However the Guidelines themselves do not always make this clear. We would therefore welcome the inclusion within the actual Guidelines of similar language and clarity of purpose as is set out in the Cover Note.	

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<b>Introduction General Comment</b>		
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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 preparation period considerably. It is important to ensure that the Guidelines do not inadvertently result in forcing insurers to have to comply with Solvency II before it is formally adopted. A glidepath is needed, over a longer period than 2014.	

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<b>Section I. General Comments</b>		
1.13	The timescale is ambitious and is unlikely to be achievable by 1 January 2014. The results of the consultation will be published in October 2013 and the Prudential Regulation Authority will need to consult further in the UK.	
1.14	The use of the word « continuous » is potentially ambiguous and would result in unrealistic and excessively onerous requirements if taken literally.	
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<b>Section II. General Comments</b>		
<b>Chapter I General Comments</b>		
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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 members of the body must be competent and show independence from the CEO and should number more than one person.	
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1.30	The general point around proportionality should be included within this paragraph since the scope of a « contingency plan » can vary enormously.	
<b>Chapter II General Comments</b>		
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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 intended ? It would be useful to clarify that this is not the intended outcome.	
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<b>Chapter III General Comments</b>		
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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.	
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1.45	A specific comment on proportionality would help here.	
1.46		
1.47	A specific comment on proportionality would help here.	
1.48	We agree that it is important to have proper processes in place for the treatment of unit-linked policyholders but find it difficult to see why sub-paragraph (e) is included here in this paragraph which is about risk mitigation techniques. We suggest it is moved.	
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<b>Chapter IV General Comments</b>		
1.52		
1.53	We have some concerns on the ability of smaller firms (such as ourselves) being able to repeat the work of rating agencies on all of the investments held by the firm. We believe that NCAs should not ask 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 "Rating agency results should be supplemented by general market information. The	

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	AMSB should not automatically follow ratings from rating agencies.” This would give the result that EIOPA is seeking without requiring all firms to create the rating agency expertise in-house.	
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<b>Chapter V General Comments</b>		
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.	
<b>Chapter VI General</b>		

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<b>Comments</b>		
1.67	The requirement that "all personnel are aware of their role in the internal control system" may be difficult to achieve cost-efficiently and may be setting a too high a target. Although we support the general concept, we are concerned that the current wording may require a level of technical training that is not proportionate to the value it would bring.	
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<b>Chapter VII General Comments</b>		
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<b>Chapter VIII General Comments</b>		
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1.87	The requirement to report "all tasks" seems unnecessarily onerous, and is probably not required. Better wording should be used.	
<b>Chapter IX General Comments</b>		
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<b>Section III. General Comments</b>		
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<b>Compliance and Reporting Rules General Comments</b>		
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<b>Impact Assessment – General Coments</b>	<b>The Impact Assessment again stresses the approach to proportionality and phase-ing in of the requirements. We welcome this but repeat our general comment that for clarity such language should be included within the Guidelines to ensure that the NCAs are clear as to the scope and purpose of the Guidelines</b>	
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2.14	This language should usefully be inserted into the actual Guidelines	
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2.18	It is not clear what this means and an example would be helpful.	
2.19	We note that the objective is to phase requirements in but the suggested dates do not allow much latitude for gradual phasing.	
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2.24	Unfortunately we have severe doubts that there will be no additional costs to the industry, and hence customers, from the introduction of the Guidelines.	
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2.69	We do not agree there will be no direct costs to policyholders. For mutual insurers such as ourselves, and those where policyholders receive a proportion of the surplus, all or most of the cost will be directly attritutable to policyholders. Nor do we believe that these proposals will result in a significant improvement in policyholder protection.	
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