

**Comments Template on
CP8 -Draft proposal for Guidelines on ORSA**

**Deadline
20 January 2012
12:00 CET**

Name of Company:	Legal & General Group plc	
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 cp008@eiopa.europa.eu. Our IT tool does not allow processing of any other formats.</p> <p>The numbering of the paragraphs refers to Consultation Paper 008.</p>		
Reference	Comment	
General Comment	<p>We believe that the principle of proportionality is not emphasised sufficiently: there should be more detailed reference and focus in the guidelines upon materiality.</p> <p>The operation of the College of Supervisors/Group Supervision is unclear in terms of the respective roles and responsibilities of each national supervisor. We would appreciate a clearer understanding as to how the College will operate, in particular with regard to ORSA processes.</p>	
3.1.		
3.2.	We endorse the sentiment that the guidelines should focus on what the ORSA should achieve rather than its performance	
3.3.		

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3.6.	As well as identifying all the <i>material</i> risks that they face, firms might also undertake scenario testing to establish and aid understanding of credible tail risks which may be hard to quantify	
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3.18.	It would be clearer in point (b) to substitute "risk appetite" for "risk tolerance limits"	
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3.33.	More clarity is needed on the relationship between the Group supervisor and Solo entity supervisors. The operation of the College is unclear in terms of the respective roles and responsibilities of each supervisor and their access to information.	
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4.6.	Notwithstanding the comment in the last sentence, Art.45(1) of the Directive essentially requires a reconciliation between ECR and SCR. This may not be a straightforward task where proxy models are used, and the results are unlikely to be exact	
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4.13.	<p>The subject matter of Guideline 4 is the ORSA policy. Art.45 refers to the Own risk and solvency assessment. There is no mention in any section of Art.45 of an ORSA policy. Therefore it is misleading to link Guideline 4 with Art.45(2).</p> <p>Similarly, we found this paragraph confusing: whilst Art.41(3) requires a written policy on risk management, the specific policies mentioned in Art.44.(2) as required to form part of the overall risk management policy do not include an ORSA policy. From the references to the Directive, it does not follow automatically that, because ORSA is part of the risk management system and because the Directive requires a written policy on risk management, a specific ORSA policy is necessary. However, we do agree that a written ORSA policy is desirable.</p>	
4.14.	With reference to (b), see comment in 3.18	
4.15.		
4.16.	It is not clear whether "appropriate" is intended to imply that the ORSA supervisory report should provide more or less detail than the internal report.	
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4.19.	Can we assume proportionality applies to "all"?	
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4.29.	The meaning of this sentence could be clarified by changing "include" to "consider"	
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4.31.	This paragraph is helpful However in (g) add "methodology" after basis. This will clarify that the <i>methodology</i> should be consistent, although actual numbers may differ as a result of varying parameters	
4.32.	Management actions should be fit for purpose. In respect of financial effects, it would be helpful here to require only the indicative impact that they would be expected to have.	
4.33.	The forward looking approach should be detailed over year 1 and be more indicative (with sensitivity) over longer periods	
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4.50.	Paras 4.50 to 4.54 relate to Standard Formula users. There should be a heading above para 4.50 to this effect.	
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4.61.	Sub-paragraph (b) is omitted	
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4.74.	<p>Clarification is needed here</p> <p>If this calculation of the SCR forms part of the regular ORSA process, it follows that the regular ORSA must be undertaken on an annual basis</p>	
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4.79.	<p>An example would aid understanding here, such as "Firms should reflect any parental guarantees or other items that impact the group ORSA"</p>	
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4.89.		
4.90.	The information is specified in 4.14 not 3.14	
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4.94.	<p>The ORSA policy should certainly indicate that stress and scenario tests form part of the process.</p> <p>However, it is unreasonable to expect the policy to provide summaries or outlines of specific details of the tests as these are likely to change year on year according to circumstances</p>	
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4.99.	<p>In (b) the final sentence repeats the previous one. In addition, replace "of such third country towards" with "in such third country"</p> <p>In the final sentence of section (c) replace "carry" with "be carried"</p>	
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5.36.	The words "on risk management" should be inserted after "a written policy" See comment in section 4.13	
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5.38.	See comment in section 4.13	
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Q1.	In general yes, although we believe that the principle of proportionality is not emphasised sufficiently	
Q2.	We would appreciate a better understanding of the supervision of Groups and how it will operate	
Q3.	As the levels of materiality between organisations in different countries will vary, we would appreciate a better understanding of how the College of Supervisors will operate. More clarity is needed on the relationship between the Group supervisor and Solo entity supervisors. The operation of the College is unclear in terms of the respective roles and responsibilities of each supervisor and their access to information.	

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Q4.	We believe that there should be more reference and focus in the guidelines upon materiality	
Q5.	They should lead to greater awareness within organisations of the interrelationship between the risk profile of a business and the consequent capital requirements for that profile. The guidelines will also help to ensure that capital information, and the way that information changes under stressed conditions, forms part of the continuous risk management process and that the ORSA is a natural progression	
Q6.		
Q7.		
Q8.		
Q9.	The responsibility for compliance with the guidelines sits with Group and Solo Boards. It is likely that Boards will take note of input from control functions within the organization. Reporting on compliance could take the form of a statement within the ORSA supervisory report.	