

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

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

Name of Company:	IUA (International Underwriting Association of London)	
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>The International Underwriting Association (IUA) represents insurance and reinsurance companies in the international insurance and reinsurance market working in and through London. Our membership, consisting of 40 general insurers and reinsurers, makes up approximately 95% of the London insurance company market.</p> <p>The general approach of the guidelines appears to be to recognise that the ORSA is a management tool for regulated undertakings and that that it must be tailored on a proportionate basis to the specificities of the company. It is also stated that the focus should be on what the ORSA must achieve rather than how it is to be performed. We believe that EIOPA is thereby adopting the right approach to ensure that the industry embraces the ORSA as a valuable instrument that is key to the management of the company.</p>	

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	However, we also believe that the guidelines are too prescriptive. They impose too many detailed and specific requirements, notably with regard to what procedures must be developed and what documentation must be prepared and made available. In our view, if the ORSA is to be a genuine and effective management tool, the management should be free to use and adapt it in response to the needs of the company, subject to meeting the requirements of the regulators and EIOPA in terms of effective and transparent risk management and outcomes.	
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3.17.	The proposed guidelines indicate that the undertaking should have in place at least an ORSA policy, a record of each ORSA process, an internal report on the ORSA and an ORSA supervisory report. In our view, it is not appropriate that the guidelines should lay down so prescriptively	

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	<p>what documents should be in place. It seems likely that there would be considerable scope for duplication between the various proposed documents. In addition, the need for a separate ORSA supervisory report is not justified. The function of the ORSA is to provide the management of the firm with an effective tool that can also be understood by the supervisor and other stakeholders. While it might be appropriate in some circumstances, a fixed requirement for a separate secondary ORSA supervisory report would expend resources unnecessarily and encourage emphasis on appearances rather than the substance of purposeful management.</p>	
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3.21.	<p>We suggest that the proposed requirements are excessive and that it should be sufficient for the undertaking to set out in the ORSA its approach to valuation and recognition and to outline any variations from the Solvency II standard and resulting differences in outcome.</p>	
3.22.	<p>We wish to point out that not all the relevant risks will be quantifiable according to consistent and recognised standards.</p>	
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3.25.	<p>The consultation proposes that the assessment of overall solvency needs should be forward-looking and cover separately each year of the business planning period. In our view, undertakings should be permitted to make their projections in the manner that they find most effective. In some cases it may be appropriate and proportionate to make year-by-year projections and in others to make projections over a period of several years. In either case, it will be important to reflect the importance of a variety of variables and not to seek the same degree of granularity and certainty as is required for a projection one-year ahead.</p>	
3.26.	<p>In our view, the stress placed by the consultation on processes is not appropriate. We believe that the emphasis under the ORSA guidelines should be on the need for the ORSA to assess the business and its resources, not on the processes for doing so.</p>	
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3.31.	The text should let it be understood clearly that a solo ORSA is not required of non-insurance and non-EEA entities.	
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3.38.	In our view, the proposed requirement , as currently drafted, could encourage the view that the group ORSA should be constructed out of individual ORSAs for each subsidiary. While identifying each legal entitiy, the group ORSA should not also be expected to include an ORSA for each subsidiary. That would be contrary to its purpose as a management tool for the group.	
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4.29.	With regard to solo entities that are licensed in the EEA, but are part of non-EEA groups, the assessment of group risks should be proportionate. Complex and detailed reporting requirements should not be imposed when alternative measures are available.	

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