	Comments Template on Consultation Paper on the Proposal for Guidelines on the System of Governance	Deadline 19 June 2013 12:00 CET
Name of Company:	Aon Ltd	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
	Please follow the following instructions for filling in the template: ⇨ 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 empty. ⇨ Please fill in your comment in the relevant row. If you have no comment on a paragraph or a cell, keep the row empty. ⇨ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. **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.** The numbering of the paragraphs refers to this Consultation Paper, the numbering of cells refers to the Technical Annexes II and III.	

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Reference	**Comment**	**Resolution**
General Comment	There are a number of specific new requirements introduced into these interim requirements which do not appear in the L1 or L2 text of the directive. Furthermore, some of these interim requirements are very explicit in their description which contradicts the principles approach outlined in the objectives. It is observed that the new specific requirements tend to be in the area of investment management. As the requirements are not principles based it will be difficult for small and/or simple organisations to implement the requirements in a proportionate way.	
Introduction General Comment		
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1.9	The separation between coordination of (including the oversight of the quality of the TPs) and performing the Technical Provisions is not sufficiently clear and implies a higher number of resources than may currently exist in small and medium insurers. It is also unclear how they will perform their obligations under the interim requirements whilst Pillar I requirements are still to be confirmed. This suggests duplication of efforts and generates additional resource pressure at a time where experienced actuarial resource is scarce.	
1.10	(REMOVE)	

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1.11		
1.12		
Section I. General Comments	It is not clear whether organisations are required to prepare for compliance with the interim measures or comply with the interim measures from 1 January 2014. Please provide clarity on what is reasonable preparation?	
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Section II. General Comments		
Chapter I General Comments		
1.16		
1.17	This section refers to « all » entities within the Group. This does not take into account the materiality of the entity and whether or not they are subject to Solvency II As such, this requirement may be unfeasible and create an unnecessary burden for a parent entity. Given this, should the materiality of the subsidiary be taken into account?	
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1.19		
1.20	The wording in this section is too broad; it currently refers to parent undertakings « know »[ing] the business and risks of all undertakings within the Group. As currently prescribed this clause imposes an unrealistic expectation on the AMSB as it does not refer to material risks and activities. Further clarity on the interpretation of « knows » and materiality criteria would be helpful.	
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1.23	Greater clarity is required in the wording of this paragraph, and can be brought in from the guidance. The current description is not proportionate and potentially confuses delegated authority and effective control. We do not think it is proportionate to specify that organisations involve 2 separate individuals in the decision process. A fundamental principle of good governance allows for authority to be delegated to a specific individual (e.g. from the Board/ AMSB to the Chief Executive). The delegated individual will be accountable to the source of the authority to validate the decisions that they have taken. Separately, you would expect controls over operations such that no single individual could expose the company to a material risk, (i.e. dual signatures on payments to prevent fraud). Similarly, you would expect monitoring controls over the decisions that are taken to ensure that they have been implemented in accordance with their authority and the policies and procedures of the organisation. (4-eyes principle).	
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1.26	Should the interim measures include a requirement for the governance review to be performed by individuals that meet suitable “fit” requirements, similar to the AMSB and Key Functions? As currently phrased there is a risk that the quality of the reviews will be variable.	
1.27	Are the feedback loops between the AMSB and the business or between the reviewers and the AMSB?	
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Chapter II General Comments		
1.31		
1.32	Is there an expectation that more than one member of the AMSB has a reasonable	

	level of expertise in a particular area to ensure that there is an acceptable level of challenge on business decisions and risks (i.e. where the Board member who possesses the financial knowledge is also the Board member that heads the Finance function ? . Please can this be clarified in the guidance?	
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1.36	It is unclear how this requirement will work in practice. Processes are frequently outsourced where the organisation does not have the appropriate skills, experience or resource to perform the outsourced process. There is some clarity in the explanatory text, but could some of the key points be brought into the guidance?	
Chapter III General Comments		
1.37		
1.38	It is possible that this requirement as currently written will create conflicts within the Group, particularly where there are different appetites for risk between the parent and subsidiary. Given this, it is also possible that the nature of a subsidiary business requires a different policy and risk management approach to a particular risk from that of the parent with a different risk appetite and policy.	
1.39		
1.40	It is unclear how section c) of the paragraph is intended to work.	
1.41	The wording: « on other specific areas of risks both on its own initiative" may cause confusion as risks identified as material by the Risk Management Function should already be captured through the first sentence in this paragraph.	
1.42	This type of responsibility creates a significant burden for the Risk Management Function at the parent level. There are also challenges associated with potential different regulatory expectations where entities within the groups reside in different countries.	

1.43	Subsections d& e are very prescriptive (not principles based). It also introduces new requirements in terms of investments that do not appear in the L1 or L 2 implementation measures.	
1.44	Proportionality does not appear to be taken into account in this section. There is no reference to materiality and requires a high level of detail that will be extremely resource intensive.	
1.45	This section lacks consideration of proportionality or materiality. It also introduces specific requirements that are not in line with principle based regulation. It is also more onerous than prescribed in the L1 or L2	
1.46	This section lacks consideration of proportionality or materiality. It also introduces specific requirements that are not in line with principle based regulation. It is also more onerous than prescribed in the L1 or L2	
1.47	The principle in this section needs to be clarified; the documentation of the effectiveness of **all** risk mitigation techniques appears to be a particularly onerous amount of effort. The assessment of the effectiveness may be a more reasonable requirement.	
1.48	This section introduces some very specific requirements, which do not appear in L1 or L2. By including these requirements there is a risk that other relevant factors will be omitted as they are specified not on the list.	
1.49	This section introduces some very specific requirements, which do not appear in L1 or L2. By including these requirements there is a risk that other relevant factors will be omitted as they are specified not on the list. The language in this section needs to be clarified.	
1.50	New specific requirements which are not principles based. These guidelines should not introduce additional requirements as compared to Level 1 and draft Level 2 text.	
1.51	New specific requirements which are not principles based. These guidelines should not introduce additional requirements as compared to Level 1 and draft Level 2 text.	
Chapter IV General Comments		
1.52	The requirements for key risk indicators would be more appropriate as a general	

	requirement over any material risks. As currently defined, this sections focuses too specifically on a particular risk category. Also it is up to the company to define within it's risk appetite framework which are the relevant metrics; imposing additional key risk indicators over and above these would not be proportionate or principles based.	
1.53	The wording needs to be clarified. Greater clarity on additional reliable sources of information needs to be provided. This may create a disproportionate burden for less complex organisations.	
1.54	Please define "non-routine" in the guidance. This is a very specific requirement for investments which is disproportionate for small or less complex insurers.	
1.55	These appear to be new requirements. These guidelines should not introduce additional requirements as compared to Level 1 and draft Level 2 text.	
1.56	These appear to be new requirements. These guidelines should not introduce additional requirements as compared to Level 1 and draft Level 2 text.	
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1.61	These appear to be new requirements. These guidelines should not introduce additional requirements as compared to Level 1 and draft Level 2 text.	
1.62	These appear to be new requirements. These guidelines should not introduce additional requirements as compared to Level 1 and draft Level 2 text.	
1.63	These appear to be new requirements. These guidelines should not introduce additional requirements as compared to Level 1 and draft Level 2 text.	
Chapter V General Comments		
1.64	Capital management policy: these are very specific requirements which have not been previously introduced and would fit better into the Guidance than in the interim	

	requirements – they do not appear to be principles based.	
1.65		
1.66	Capital management policy: these are very specific requirements which have not been previously introduced and would fit better into the guidance than in the interim requirements – they do not appear to be principles based.	
Chapter VI General Comments		
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1.68	This type of responsibility creates a significant burden for the Risk Management Function at the parent level. There are also challenges associated with potential different regulatory expectations where entities within the groups reside in different countries.	
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Chapter VII General Comments		
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1.71	This paragraph is very prescriptive. This creates the risk that the Internal Audit Policy will be limited to the defined list and will not create broad principles that are applicable in all circumstances.	
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Chapter VIII General Comments		

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1.86	The following words appear to be vague: „in particular with regard to the risks relating to the terms on which business is written and how dependencies between risks are derived“	
1.87	“All tasks" does not reflect materiality.	
Chapter IX General Comments		
1.88	This requirement may be better placed if it was included as a principle in the Outsourcing Policy section (guideline 51).	
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Section III. General		

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Compliance and Reporting Rules General Comments		
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Impact Assessment – General Coments		
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