

**Summary of Comments on CEIOPS-CP-55/09**  
**Consultation Paper on the Draft L2 Advice on SCR Standard Formula -**  
**MCR calculation**

CEIOPS-SEC-118/09

CEIOPS would like to thank AAS BALTA, AB Lietuvos draudimas, ACA, AMICE, Association of British Insurers, Association of Run-Off Companies, CEA,

ECO-SLV-09-450, Centre Technique des Institutions de Prévoyance (C, Codan Forsikring A/S (10529638) DENMARK, CRO Forum, Deloitte, DIMA (Dublin International Insurance & Management , Dutch Actuarial Society – Actuarieel Genootschap (, FFSA, German Insurance Association – Gesamtverband der D, GROUPAMA, Groupe Consultatif, International Underwriting Association of London, Ireland\39s Solvency 2 Group

, KPMG ELLP, Legal & General Group, Link4 Towarzystwo Ubezpieczeń SA, Lloyd\39s, Munich RE, NORWAY: Codan Forsikring (Branch Norway) (991 502 , Pearl Group Limited, PricewaterhouseCoopers LLP, RBS Insurance , ROAM – , RSA Insurance Group PLC, RSA Insurance Ireland Ltd, RSA\32\45\32Sun Insurance Office Ltd., SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799), Uniqa, and XL Capital Ltd

The numbering of the paragraphs refers to Consultation Paper No. 55 (CEIOPS-CP-55/09)

No.	Name	Reference	Comment	Resolution
1.	ACA	General Comment	<p>CEIOPS suggests some changes to the linear formula proposed in QIS4 for the MCR calculation.</p> <p>AXA believes that the MCR should be simply expressed as a straightforward percentage of SCR (e.g. 35%, being the mid range of the 25%-45% corridor). This would be less time consuming and ensure a economic coherence between the SCR and the MCR</p> <p>Quarterly assessment: subject to fulfilling certain criteria, undertakings will be allowed to apply simplifications in the quarterly calculation of the SCR in which they would only need to recalculate those risks that have changed significantly since the previous calculation</p> <p>However no simplifications are allowed in case of:</p> <p style="text-align: center;">A breach of the SCR,</p>	<p><b>Not agreed.</b> Calculating the MCR as a percentage of the SCR is inconsistent with Level 1.</p>

<p style="text-align: center;"><b>Summary of Comments on CEIOPS-CP-55/09</b></p> <p style="text-align: center;"><b>Consultation Paper on the Draft L2 Advice on SCR Standard Formula - MCR calculation</b></p>			CEIOPS-SEC-118/09	
			<p>A breach of the MCR,</p> <p>the undertaking does not hold eligible Tier 1 and Tier 2 basic own funds covering at least 200% of the MCR, without taking into account the absolute floor</p> <p>AXA believes that the third points should be removed as there could be circumstances when this would require a full recalculation to be made by entities who have not breached their SCR, which would seem excessive</p> <p>It seems to us that the workload of calculating SCR is too heavy despite the attempt of simplification proposed in the CP55.</p>	<p><b>Partially agreed:</b> Please refer to our response to comment 260.</p> <p><b>Noted.</b></p>
2.	AMICE	General Comment	<p>These are AMICE’s views at the current stage of the project. As our work develops, these views may evolve depending in particular, on other elements of the framework which are not yet fixed.</p> <p>The comments outlined below constitute AMICE’s primary areas of concern:</p> <p>From the obligation to check the corridors also on a quarterly basis, CEIOPS concludes that “the SCR shall be calculated on a quarterly basis”. This as such is in contradiction to the level 1 text:</p> <p style="padding-left: 40px;">Art 102 (1) requires calculation of SCR “at least once a year”. The SCR should be recalculated only when the risk profile deviates significantly from earlier assumptions.</p> <p style="padding-left: 40px;">Art 127 (2) requires calculation of MCR “at least quarterly” but stipulates also in par 1b that the MCR shall remain within the corridor of % of the SCR calculated in accordance with chapter 6 section 4 subsection 2. – meaning (at least) once a year.</p> <p>Quarterly re-calculation of SCR should only be carried out if it is required by the supervisor and if this request is justifiable (i.e</p>	<p><b>Noted.</b></p> <p><b>Not agreed.</b> The Level 1 text does not set an upper limit to the frequency of SCR calculation, only a lower limit (at least once a year).</p>

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			<p>material changes which may affect the SCR).</p> <p>Simplifications should be allowed for carrying out quarterly MCR calculations if these are necessary. Approximations such as the use of the local/GAAP ratio for the re-estimation of technical provisions should be admitted.</p> <p>We wonder whether the loss-absorbing capacity of deferred taxes should be considered in the MCR calculation. We do not see any reason to allow for such absorption in the SCR but not in the MCR calculation.</p>	<p><b>Noted.</b> Simplifications for technical provisions are outside the scope of this advice.</p> <p><b>Not agreed.</b> Please refer to our response to comment 163..</p>
3.	Association of British Insurers	General Comment	<p>The approach described in this CP sounds reasonable. However, we would stress the importance of using simplifications to calculate the SCR, both for the internal model and the standard formula, in order to provide timely updates to the MCR. For all firms meeting their SCR we believe that appropriate simplifications are possible to provide for an acceptable and reliable MCR.</p> <p>Furthermore, it is unclear how the MCR for non-EEA entities and groups should be calculated. We prefer an MCR equivalent that is reflective of local requirements, i.e. the "real" last line of defence.</p>	<p><b>Noted.</b></p> <p><b>Not agreed.</b> Group issues are outside the scope of this advice. Following the Level 1 text, no MCR is defined for groups.</p>
4.			Confidential comment deleted	
5.	CEA, ECO-SLV-09-450	General Comment	<p>The CEA welcomes the opportunity to comment on the Consultation Paper (CP) No. 55 on MCR.</p> <p>It should be noted that the comments in this document should be considered in the context of other publications by the CEA.</p> <p>Also, the comments in this document should be considered as a whole, i.e. they constitute a coherent package and as such, the rejection of elements of our positions may affect the remainder of our comments.</p>	<p><b>Noted.</b></p>

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			<p>These are CEA's views at the current stage of the project. As our work develops, these views may evolve depending in particular, on other elements of the framework which are not yet fixed.</p> <p>A quarterly recalculation of the SCR would be very burdensome for most of the companies.</p> <p>The CEA believes that simplifications should be allowed for in the SCR quarterly calculation.</p> <p>The CEA doesn't agree with the general assessment that deferred tax liabilities are not important when the MCR becomes relevant. Also Ceiops' conclusion is not in line with the Level 1 text of the Directive. We consider that not taking deferred tax liabilities into account could result in a non economic approach.</p>	<p><b>Noted.</b> According to CEIOPS advice, simplifications are allowed in the quarterly calculation, within specific constraints. Please refer to our responses to specific comments on quarterly calculations (114-210, 217-268).</p> <p><b>Not agreed.</b> Please refer to our response to comment 163. Regarding consistency with Level 1, under Article 127(1a) it is explicitly allowed to use a only a sub-set of the variables in the list.</p>
6.	Centre Technique des Institutions de Prévoyance (C)	General Comment	<p>We agree with CEIOPS advice on MCR calculation, including the convenient calculation method for composite undertakings.</p> <p>It remains to make sure that the parameters of SCR and MCR formulas, which will be included in the third set of consultation papers, lead to appropriate levels.</p>	<b>Noted.</b>
7.			Confidential comment deleted	
8.	CRO Forum	General	55.A Risk sensitive calculation approach to MCR to be reviewed	<b>Not agreed.</b> Calculating the MCR

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		<p>Comment</p> <p>(priority: very high)</p> <p>As stated in previous publications, the CRO Forum believes that the linear formula is not appropriate for calculating the MCR and reiterates its recommendation for calculating the MCR as a fixed percentage of the SCR (35%, being the mid range of the 25%-45% corridor as stated in the Directive, detailed further in the full response), even if Level 1 text states that MCR shall be calculated as a linear function (Article 127, subsection 1a). But, at the very least, we recommend that companies be able to opt for the simplified fixed percentage approach. Companies and supervisors should focus on understanding the SCR and not be distracted by a separately calibrated MCR.</p> <p>In addition, for the linear formula, caps and floors are applied to the MCR calculated, to ensure an adequate relation between MCR and SCR. These caps and floors had to be applied quite frequently in QIS4 and likely in QIS5 (even with narrower cap-floor range). Anyway, we believe that the linear MCR calculations falling outside the cap-floor range indicates the inconsistency between SCR and MCR calculations.</p> <p>55.B Frequency of calculation quarterly, but with reasonable approximations (priority: high)</p> <p>The CRO Forum is in favour of a quarterly assessment of the SCR, but with reasonable approximations and to perform a full re-calculation only once a year (except in extraordinary circumstances). Nevertheless, we have also suggested some flexibility in allowing undertakings time to transition to more frequent calculation e.g. when the SCR is not available for inter-annum assessment we suggest using as a proxy the previous SCR to derive the MCR figure, adjusted for the development of the technical provisions.</p>	<p>as a percentage of the SCR is inconsistent with Level 1.</p> <p><b>Not agreed.</b> Please refer to our responses to specific comments on quarterly calculations (114–210, 217–268).</p>
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			<p>Any such approximations and simplifications of the SCR calculations should also be allowed for undertakings using full/partial internal models.</p> <p>55.C More clarification on MCR calculation for groups required (priority: high)</p> <p>The CRO Forum notes that this consultation paper does not contain any explanation on the specifics of the MCR calculation for groups, which is an important issue for the Tiering system at Group level. The treatment of inter company transactions and the order of aggregation and the application of caps and floors in the linear formula should be clarified.</p>	<p><b>Not agreed.</b> Group issues are outside the scope of this advice. Following the Level 1 text, no MCR is defined for groups.</p>
9.	Deloitte	General Comment	<p>The approach is closely based on the QIS4 proposals, with the corridor adjusted in line with the final Level 1 text.</p> <p>We note the arrangements for quarterly calculation of the MCR, which require a quarterly calculation of the SCR – and we welcome the simplifications allowed in most cases where firms have not experienced a significant change in risk profile, or are close to a supervisory intervention point.</p>	<p><b>Noted.</b></p>
10.	DIMA (Dublin International Insurance & Management)	General Comment	<p>DIMA welcomes the opportunity to comment on this paper.</p> <p>Comments on this paper may not necessarily have been made in conjunction with other consultation papers issued by CEIOPS.</p> <p>A full assessment of this consultation paper will only be possible when the proposed calibrations of the parameters discussed in it are known. In our view, the structure of the MCR and its calibration should be de-emphasised compared to the SCR, which is clearly the far more important measure under Solvency II.</p> <p>A simplification is allowed for companies using the standard formula. Quarterly recalculation of the SCR for companies using</p>	<p><b>Noted.</b></p> <p><b>Not agreed.</b> Please refer to our</p>

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			internal models may be overly onerous.	responses to specific comments on quarterly calculations (114-210, 217-268).
11.	Dutch Actuarial Society – Actuarieel Genootschap (	General Comment	<p>We are familiar with the draft Comments of Group Consultatif on CP55. The Dutch Actuarial Society also supports their comments.</p> <p>In line with the Comments of Group Consultatif we recommend that companies should be able to opt for the simplified fixed percentage approach. Nevertheless, if CEIOPS persists using linear formula, in this template we give our comments on using these linear formula.</p>	<p><b>Noted.</b></p> <p><b>Not agreed.</b> Calculating the MCR as a percentage of the SCR is inconsistent with Level 1.</p>
12.	FFSA	General Comment	<p>CEIOPS says that for the purpose of MCR calculation, the SCR shall be calculated on quarterly basis. FFSA thinks this requirement is inconsistent with §3.78 requirement. For quarterly calculation, FFSA believes simplifications for SCR and best estimate calculation could be used.</p> <p>Simplification: CEIOPS is asking to recalculate SCR sub-modules quarterly if “the risk drivers have changed significantly since the last calculation”. FFSA thinks that recalculating the SCR quarterly will be highly burdensome. Furthermore, the phrase “if risk drivers have changed significantly” is very subjective and may lead to different interpretation for the same cases. FFSA thinks that the SCR should not be recalculated quarterly (hence taking into account the last calculated SCR) except if the supervisor is specifically asking it to the undertaking.</p> <p>As the MCR calculation depends on the technical provision, FFSA suggests that, under the same circumstances that allow the company not to calculate fully the SCR, it will not be required to recalculate fully the best estimate. FFSA suggests simplifications for the quarterly calculation of technical provisions. For example, by adding premiums and claims to the best estimate calculated last year and taking into account an adjustment for unrealized gains or</p>	<p><b>Not agreed.</b> Please refer to our responses to specific comments on quarterly calculations (114-210, 217-268).</p>

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			<p>losses transferred to policyholders.</p> <p>In order to limit to truly exceptional circumstances the cases when a full recalculation of the SCR is required, FFSA also considers that the event described in 3.79 iii (“the undertaking does not hold eligible Tier 1 and Tier 2 basic own funds covering at least 200% of the MCR, without taking into account the absolute floor”) should be excluded. Indeed, this event could lead to require a full recalculation from entities who have not breached their SCR, which would seem excessive</p>
13.			Confidential comment deleted
14.	German Insurance Association – Gesamtverb and der D	General Comment	<p>GDV appreciates CEIOPS’ effort regarding the implementing measures and likes to comment on this consultation paper. In general, GDV supports the detailed comment of CEA. Nevertheless, the GDV highlights the most important issues for the German market based on CEIOPS’ advice in the blue boxes. It should be noted that our comments might change as our work develops. Our views may evolve depending in particular, on other elements of the framework which are not yet fixed – e.g. specific issues that will be discussed not until the third wave is disclosed.</p> <p>A quarterly recalculation of the SCR would be very burdensome for most of the companies.</p> <p>The GDV believes that simplifications should be allowed for in the SCR quarterly calculation.</p> <p>The GDV doesn’t agree with the general assessment that deferred tax liabilities are not important when the MCR becomes relevant. Also CEIOPS’ conclusion is not in line with the Level 1 text of the</p>

**Noted.**

**Noted.**

**Noted.** According to CEIOPS advice, simplifications are allowed in the quarterly calculation, within specific constraints.

**Not agreed.** Please refer to our response to comment 163.



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			Directive. We consider that not taking deferred tax liabilities into account could result in a non economic approach.
15.	GROUPAMA	General Comment	<p>Groupama has two major comments regarding this CP:</p> <ul style="list-style-type: none"> <li>- Simplifications should be allowed for quarterly MCR calculations. Approximations such as the use of local GAAP ratios for Technical provision re-estimation should be allowed. Furthermore, the quarterly re-calculation of SCR should be done only if the supervisor specifically asked for and justified this recalculation, showing clear evidence that the SCR has been significantly modified. (3.77)</li> <li>- We question the fact that deferred taxes absorption is not included in the MCR calculation. We do not see any reason not to include this absorption in the MCR calculation but to allow it in the SCR one. (3.35)</li> </ul>
			<p><b>Not agreed.</b> Please refer to our responses to specific comments on quarterly calculations (114-210, 217-268).</p> <p><b>Not agreed.</b> Please refer to our response to comment 163.</p>
16.	Groupe Consultatif	General Comment	<p>Groupe Consultatif is concerned mainly with the practical implications of this paper. Specifically we are concerned that as written it would require regular quarterly calculation of an SCR which would be consumptive of both human and financial resource. We suggest that consideration be given to defining circumstances in which it would not be unreasonable to carry forward the amount of the SCR from the last annual calculation. We suggest that CEIOPS could allow this in situations where the linear calculation of MCR was shown to produce a result of more than 25% plus some buffer of SCR. A possible exception could be in respect of new or fast-growing undertakings where the SCR could be carried forward only if the linear calculation exceeded 25% plus a rather higher buffer of the calculated SCR as at the preceding year-end.</p> <p>This consultation paper does not contain any explanation on the</p>
			<p><b>Not agreed.</b> Please refer to our responses to specific comments on quarterly calculations (114-210, 217-268).</p> <p><b>Not agreed.</b> Group issues are</p>

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			<p>specifics of the MCR calculation for groups, which is an important issue for the tiering system at Group level. The treatment of inter company transactions and the order of aggregation and the application of caps and floors in the linear formula should be clarified.</p>	<p>outside the scope of this advice. Following the Level 1 text, no MCR is defined for groups.</p>
17.	International Underwriting Association of London	General Comment	<p>We still have concerns in respect of the risk sensitivity of the modular approach, although we accept this is now "hard-wired" into the Framework Directive. However, the degree of emphasis on Net Written Premiums we fear might introduce a degree of procyclicality in the MCR, raising capital requirements in a 'hard market' and lowering them in a 'soft market' . We would question whether this is counterintuitive, given that soft markets might pose a greater risk to policyholders than a hard market.</p>	<p><b>Noted.</b> Procyclicality issues are better dealt with in other elements of the Solvency II framework rather than in the MCR.</p>
18.	KPMG ELLP	General Comment	<p>In general this CP provides a good guide for calculating the MCR, with the set out in a straightforward, easy to understand way. We do have some comments regarding the detail (see sections below), in particular:</p> <ul style="list-style-type: none"> <li>- We are very interested to see the MCR calibration percentages.</li> <li>- We have some concern that the augmentation of the SCR calibration set out in other CEIOPS papers may have a knock on effect to the calibration of the MCR as a result of the application of the SCR corridor; we feel this would be unwelcome, as there appears to be no justification for this.</li> <li>- The required quarterly calculation of the SCR to monitor the quarterly MCR against the SCR corridor and the possibility of further options for simplifications that could be used.</li> <li>- We note that there are some potential mismatches in linking the MCR to the SCR but acknowledge that the SCR corridor, which</li> </ul>	<p><b>Noted.</b> Regarding calibration, please refer to CEIOPS' further advice on the MCR.</p>

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			is sensibly parameterised, will compensate to some extent.	
19.	Lloyd's	General Comment	<p>Lloyd's welcomes the opportunity to comment on CP55.</p> <p>We are generally in support of the proposals contained in this paper, and the approach to calculating the MCR, which is set out in a straightforward, easy to understand way. We do have some comments regarding the details, which are set out in the sections below. In particular:</p> <ul style="list-style-type: none"> <li>- We are very interested to see the MCR calibration percentages.</li> <li>- There is concern that augmentation of the SCR calibration seen in other CEIOPS papers may have a knock on augmentation affect on the calibration of the MCR; this would be unwelcome as there appears to be no justification for this.</li> <li>- We note that the requirement for quarterly calculation of the MCR means that the SCR also has to be calculated quarterly. There is strong merit in allowing the last (year end) SCR to be used as a proxy to establish the corridor against which the quarterly MCR calculations are assessed, on the grounds of proportionality. At least, we strongly recommend that undertakings are allowed to use a reasonable basis of estimating the SCR for this purpose, to minimise cost and resource burdens.</li> <li>- We note that there are some potential mismatches in linking the MCR to the SCR but acknowledge that the SCR corridor, which is sensibly parameterised, will compensate to some extent.</li> </ul>	<p><b>Noted.</b> Regarding calibration, please refer to CEIOPS' further advice on the MCR.</p> <p><b>Not agreed.</b> Please refer to our responses to specific comments on quarterly calculations (114-210, 217-268).</p> <p><b>Noted.</b></p>
20.	Munich RE	General Comment	We fully support all of the GDV statements and would like to add the following points:	<b>Noted.</b>
21.	Pearl Group Limited	General Comment	The MCR will be required at least quarterly which will also require a calculation (or at least an update) of the SCR at the same time. A	<b>Noted.</b>

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			<p>full calculation of the SCR is required annually. We would appreciate it if CEIOPS would indicate whether they expect us to use our last calculated SCR or what approximations in calculating a quarterly SCR are deemed appropriate when there hasn't been a significant change to the risk factors.</p> <p>CP58 requires the MCR to be reported to the supervisor within 3 or 4 weeks of the quarter end, so there is not sufficient time to produce the SCR and MCR to an auditable standard.</p>	
22.	RBS Insurance	General Comment	<p>We are supportive of the proposed advice with the regard to the calculation of the Minimum Capital Requirement (MCR).</p> <p>We would like to stress the importance of using simplifications to calculate the SCR, both for the internal model and the standard formula, in order to provide timely updates to the MCR.</p>	<p><b>Noted.</b></p> <p><b>Noted.</b> However in the case of internal models CEIOPS also stresses the need for a sufficiently sophisticated quarterly calculation.</p>
23.	ROAM –	General Comment	<p>Simplifications should be allowed for carrying out quarterly MCR calculations. Approximations such as the use of the local GAAP data for the re-estimation of technical provisions should be allowed. Furthermore, the quarterly re-calculation of SCR is highly burdensome and not feasible for SMEs.</p> <p>That's why ROAM proposes as a simplification to use the last year end SCR to asses quarterly the MCR.</p>	<p><b>Noted.</b> According to CEIOPS advice, simplifications are allowed in the quarterly calculation, within specific constraints. Simplifications for technical provisions are outside the scope of this advice.</p> <p><b>Not agreed.</b> Please refer to our responses to specific comments on quarterly calculations (114-210, 217-268).</p>
24.	Uniqa	General Comment	<p>A quarterly (full or partial) recalculation of the SCR will be very difficult and burdensome for most of the companies. It seems unrealistic to finish the SCR calculation within one month after the</p>	<p><b>Noted.</b></p>

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			reporting date and therefore the MCR could not be reported duly.	
25.	XL Capital Ltd	General Comment	<p>We would stress that where it can be shown there have been no material changes in the main risks underlying the SCR since the last detailed SCR calculation, a simplified SCR calculation should be allowed for the purposes of calculating the MCR corridor on a quarterly basis.</p> <p>This should be allowed irrespective of whether an Internal Model or the Standard Formula is used to calculate the SCR, and is in accordance with the principle of proportionality.</p>	<p><b>Noted.</b></p> <p><b>Not agreed.</b> Please refer to our responses to specific comments on quarterly calculations (114-210, 217-268).</p>
26.	KPMG ELLP	1.4.	<p>(a) We note that the CEIOPS advice on calibration of the MCR is due out in October 2009. We are very interested to see the MCR calibration percentages.</p> <p>(b) We believe that the SCR may be higher than the QIS4 SCR due to the impact of the 2009 CPs and have some concern that this will have a penal affect on the MCR percentages to be advised as per section 3.16.</p>	<p><b>Noted.</b> Regarding calibration, please refer to CEIOPS' further advice on the MCR.</p>
27.	Lloyd's	1.4.	<p>We note that CEIOPS' advice on calibration of the MCR is due out in October 2009. We are very interested to see the MCR calibration percentages.</p> <p>There is concern that augmentation of the SCR calibration seen in other CEIOPS' papers may have a knock-on augmentation affect on the calibration of the MCR to be advised as per section 3.16; this would be unwelcome as there appears to be no justification for this.</p>	<p><b>Noted.</b> Regarding calibration, please refer to CEIOPS' further advice on the MCR.</p>
28.	Association of Run-Off Companies	2.2.	<p>UK companies in run-off will already have their authorisation to write new business removed. We are interested in whether other sanctions may be considered for those who either currently fail to meet the MCR absolute floor or in future may fail to do so. Run-off</p>	<p><b>Noted.</b> Further sanctions for undertakings not meeting the MCR are outside the scope of this advice.</p>

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			companies may have limited access to capital and therefore financial penalties or increased administrative burden reduces the potential return to policyholders. This comment applies to many other Solvency II consultation papers.	
29.	Association of Run-Off Companies	2.3.	(d) We note that the absolute floor is equivalent to the current MCR under Solvency I which will provide some consistency.	<b>Noted.</b>
30.	KPMG ELLP	2.3.	We could not see any discussion in the paper of when the option in the second subparagraph of Article 127(3) might be applied by supervisory authorities and would welcome guidance on this.	<b>Noted.</b> Guidance on this option is outside the scope of this advice.
31.	KPMG ELLP	3.5.	In trying to link the MCR to the SCR there are certain mismatches that should be noted, in that the MCR is "simple" whereas the SCR is "complex", therefore:  the MCR is insensitive to the size of (re)insurance undertaking whereas the SCR is sensitive to this  the MCR is retrospective (e.g. previous year actual volume measures) whereas the SCR is prospective (e.g. next year projected volume measures)  the MCR has no allowance for diversification credit whereas the SCR benefits from diversification credit.	<b>Agreed.</b> See revised text.
32.	Lloyd's	3.5.	In trying to link the MCR to the SCR the mismatches should be noted, in that the MCR is "simple" whereas the SCR is "complex", therefore:  the MCR is insensitive to size of firm whereas the SCR is sensitive to size of firm  the MCR is retrospective (e.g. previous year actual volume measures) whereas the SCR is prospective (e.g. next year projected volume measures)	<b>Agreed.</b> See revised text.

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			the MCR has no diversification credit whereas the SCR has benefit of diversification credit.	
33.	Association of British Insurers	3.6.	<p>Form the Directive we understand that supervisors will have the power to ask for such calculation. We would like such power not to translate into automatic requests but only be used for the cases where the calculations are needed indeed.</p> <p>This requirement means doing double the calculations. We believe that approximations for assessing the SCR standard formula should be allowed for, if using an internal model. There will be difficulties with managing against this requirement, as companies using internal models will be basing their strategies, etc based on the predicted movements in their internal model results. The standard formula may not move in line with the internal model and therefore the result may be an extra (MCR) underpin which does not sit with internal model results and hence makes financial planning more difficult.</p>	<b>Noted.</b> Guidance on this option is outside the scope of this advice.
34.	CEA, ECO-SLV-09-450	3.6.	Form the Directive we understand that supervisors will have the power to ask for such calculation. We would like such power not to translate into automatic requests but only be used for the cases where the calculations are needed indeed.	<b>Noted.</b> Guidance on this option is outside the scope of this advice.
35.	RBS Insurance	3.6.	We believe that supervisory authorities should give a reason when requiring the MCR to be based on the standard formula SCR, despite having approved an undertaking's internal model.	<b>Noted.</b> Guidance on this option is outside the scope of this advice.
36.			Confidential comment deleted	
37.	KPMG ELLP	3.11.	We concur with the suggestion that all volume measures in the linear formula should be subject to a floor of zero.	<b>Noted.</b>
38.	Association of British	3.12.	This paragraph excludes the impact of finite reinsurance. We understand CEIOPS' motivation but note that this goes beyond the	<b>Not agreed.</b> In a simple factor-based calculation such as the

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	Insurers		Directive text. We cannot accept such a blanket exclusion without a clear understanding of what arrangements will be deemed as finite reinsurance. Implementing measures should give clear guidance on what effects are not allowed and not rely solely on the Directive definition of finite reinsurance.	MCR linear formula, including finite reinsurance effects in the volume measures could lead to serious distortions.
39.	Deloitte	3.12.	It is probably worth emphasising here that the reinsurance recoverables should be adjusted for expected counterparty defaults.	<b>Agreed.</b> See revised text.
40.	DIMA (Dublin International Insurance & Management)	3.12.	The clause "where the recoverables should not include recoverables from finite reinsurance" should be removed. There is no justification for excluding any reduction in net technical provisions validly arising from the use of finite reinsurance from the MCR volume measure.	<b>Not agreed.</b> Please refer to our response to comment 38.
41.	Association of British Insurers	3.13.	See comments to 3.12.	<b>Not agreed.</b> Please refer to our response to comment 38.
42.	DIMA (Dublin International Insurance & Management)	3.13.	Similarly to the comment on 3.12 above, the sentence "The reinsurance premiums should not include payments of reinsurance premiums for finite reinsurance" should be removed.	<b>Not agreed.</b> Please refer to our response to comment 38.
43.	RBS Insurance	3.13.	We would like to draw your attention to the fact that in accounting terms there is a difference between premium received and premium written. The same applies to reinsurance paid. The linear formula set in paragraph 3.16 refers to net written premium. Further clarification is required with regards to net premiums to be included in the calculation.	<b>Agreed.</b> See revised text.
44.	DIMA (Dublin	3.14.	To ensure clarity, the following should be added to end of the paragraph: "(i.e. the best estimate technical provision should be	<b>Agreed.</b> See revised text.



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	International Insurance & Management		used)."	
45.	Dutch Actuarial Society – Actuarieel Genootschap (	3.14.	See comment on 3.30	<b>Not agreed.</b> Please refer to our response to comment 72.
46.	KPMG ELLP	3.15.	<p>The fact that the volume measures do not explicitly reflect in the linear formula ALL risks that a (re)insurance undertaking is exposed to – such as Market Risk – may penalise (re)insurance undertaking which have a more prudent, and therefore less volatile, investment strategy.</p> <p>The UK regulator has tried to resolve this issue with regard to Market Risk by the introduction of the Enhanced Capital Requirement (ECR) calculation that has an explicit asset charge component.</p>	<b>Noted.</b> Level 1 text prescribes MCR calculation method and volume measures to be used (Article 127(2)).
47.	Lloyd’s	3.15.	<p>The volume measures do not allow an undertaking to explicitly reflect in the linear formula ALL risks that it is exposed to, such as Market Risk. This may penalise undertakings which have a more prudent and therefore less volatile investment strategy.</p> <p>The UK regulator, within its ICAS regime, has tried to resolve this issue with regard to Market Risk by the introduction of the Enhanced Capital Requirement (ECR) calculation that has an explicit asset charge component.</p>	<b>Noted.</b> Level 1 text prescribes MCR calculation method and volume measures to be used (Article 127(2)).
48.	International Underwriting Association	3.16.	We would appreciate clarification on whether “long-term business” and “short-term business” relates to the length of the contract of insurance or the length of time the undertaking may be exposed to	<b>Not agreed.</b> References to short-term or long-term in this paragraph are of an explanatory

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	of London		potential claims (i.e. "long-tail" vs. "short-tail" business). We would also envisage that Level 3 guidance will provide further high-level principles based guidance on how to make such a distinction.	nature, giving a rationale for the choice of volume measures. The formula definitions in the Advice Box define the distinctions that need to be made.
49.	KPMG ELLP	3.16.	<p>The results of the MCR can be counter intuitive. For example if two (re)insurance undertaking were writing the same business and the first one reserves prudently and the second more optimistically, so that the former has higher technical provisions, then it will also be the first one will be required to have a higher MCR than the second one which is in fact, solvency wise, weaker.</p> <p>It is recognised that the SCR corridor will compensate to a certain extent, as the SCR should reflect these issues. However, such issues will potentially distort the MCR calculations under Solvency II, just as they do currently.</p>	<b>Noted.</b> These issues are better dealt with in other elements of the Solvency II framework rather than in the MCR.
50.	Lloyd's	3.16.	<p>The results of the MCR can be counter intuitive; for example if two undertakings were writing the same business:</p> <ul style="list-style-type: none"> <li>the first one may be reserving prudently and providing for higher technical provisions</li> <li>and the second one may be reserving optimistically and providing lower (perhaps even inadequate) technical provisions</li> <li>but the first one will be required to have a higher MCR than the second one which is in fact solvency-wise weaker.</li> </ul> <p>It is recognised that the SCR corridor will compensate as the SCR should reflect these issues. However, these issues will potentially distort the MCR calculations under Solvency II, just as they do under the current MCR calculations.</p>	<b>Noted.</b> These issues are better dealt with in other elements of the Solvency II framework rather than in the MCR.
51.	Munich RE	3.16.	Concerning non-life premium and reserve risk, we suggest to use	<b>Not agreed.</b> Adopting the full

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			<p>the SCR formula recalibrated to the 85%-VaR. The QIS4-standard formula TS.XIII.B.18 would have to be adjusted from N0.995 to N0.85 provided that the implementing measures would not deviate from this formula (which would be welcomed due to inadequate reflection of non-proportional reinsurance). The input values suggested for the MCR-calculation are in principle the same as those for the SCR-calculation such that this approach is feasible. By this means there would be a greater consistency between the SCR- and the MCR-calculation as the non-life premium and reserve risk is assumed to be log-normally distributed which would then be used for both, the SCR- and the MCR-calculation. Concerning non-life cat-risk, this approach might not be feasible as there exist different methods of calculating the respective risk capital charge. Possibly, the SCR-NLcat charge could be scaled down to an MCR-NLcat charge, e.g. using the ratio <math>MCR-NLpr / SCR-NLpr</math>. This comment also applies to 3.32, 3.61 und 3.69.</p>	<p>structure of the SCR premium and reserve risk module would not be in line with the Level 1 requirement to have a linear formula. Regarding calibration, please refer to CEIOPS' further advice on the MCR.</p>
52.	Association of British Insurers	3.17.	For internal model users segmentation as used in the internal model should be an option. Appropriate charges could be discussed during the model approval process.	<b>Not agreed.</b> This would severely compromise the comparability and legal certainty of the MCR.
53.	CEA, ECO-SLV-09-450	3.17.	For internal model users segmentation as used in the internal model should be an option. Appropriate charges could be discussed during the model approval process.	<b>Not agreed.</b> Please refer to our response to comment 72.
54.	Munich RE	3.17.	For internal model users segmentation as used in the internal model should be an option. Appropriate charges could be discussed during the model approval process.	<b>Not agreed.</b> Please refer to our response to comment 72.
55.	Association of British Insurers	3.20.	Further work is needed on calibration, MCR factors for health need to reflect the business (see discussion is CP 50).	<b>Noted.</b> Regarding calibration, please refer to CEIOPS' further advice on the MCR.
56.	CEA,	3.20.	Using the same factors for life and SLT health does not seem to be	<b>Not agreed.</b> There is no

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	ECO-SLV-09-450		adequate. While life usually guarantees a certain interest rate for the whole span of the contract, health SLT guarantees the interest rate only for a short period, about 2-4 years. Therefore, the technical provisions should be multiplied by a smaller factor. However, because of the important claim expense risk, the MCR for health SLT should contain a linear term involving the claim expenses or premiums.	evidence that the limited time span of the interest rate guarantee is a universal feature of SLT health contracts across all country markets, and of other non-life activities similar to life.
57.	CRO Forum	3.20.	Using the same factors for life and healthSLT is not risk adequate. While life usually guaranties a certain interest rate for the whole span of the contract, healthSLT guaranties the interest rate only for a short period, about 2-4 years. Therefore, the technical provisions should be multiplied by a smaller factor. However, because of the important claim expense risk the MCR for healthSLT should contain a linear term involving the claim expenses or premiums. This comment also applies to §3.65.	<b>Not agreed.</b> Please refer to our response to comment 56.
58.	Munich RE	3.20.	Using the same factors for life and HealthSLT is not risk adequate. While life usually guaranties a certain interest rate for the whole span of the contract, HealthSLT guaranties the interest rate only for a short period, about 2-4 years. Therefore, the technical provisions should be multiplied by a smaller factor. However, because of the important claim expense risk the MCR for healthSLT should contain linear term involving the claim expenses or premiums. This comment also applies to 3.65.	<b>Not agreed.</b> Please refer to our response to comment 56.
59.	RBS Insurance	3.20.	We believe that using the same factors for life and health SLT does not seem to be adequate. While life usually guarantees a certain interest rate for the whole span of the contract, health SLT guarantees the interest rate only for a short period, about 2-4 years. Therefore, the technical provisions should be multiplied by a smaller factor. However, because of the important claim expense risk, the MCR for health SLT should contain a linear term involving the claim expenses or premiums.	<b>Not agreed.</b> Please refer to our response to comment 56.

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60.	KPMG ELLP	3.22.	We agree that the MCR calculation should be dependent on the activity type (life/non-life) rather than the type of organisation.	<b>Noted.</b>
61.	DIMA (Dublin International Insurance & Management	3.23.	This paragraph, as well as 3.27, suggests that technical provisions in respect of non-retail unit-linked business are to be excluded from the MCR calculation. However, this is not carried forward into the actual CEIOPS advice paragraphs. This discrepancy needs to be explained or rectified.	<b>Agreed.</b> See revised text.
62.	Dutch Actuarial Society – Actuarieel Genootscha p (	3.23.	<p>Please clarify what is meant by 'non-retail unit linked business'. If this relates to group UL policies, then why would these be excluded ? Note that the comment in 3.27 states that 'non-retail unit linked business is defined below' although we cannot seem to find where.</p> <p>Wrt the second bullet: given that the MCR and SCR are calibrated to 1 year VAR percentiles, we don't understand the potential benefit of distinguishing the capital-at-risk component of the MCR by the outstanding term of the policy. This also refers to 3.31 and CEIOPS final advice wrt this point</p>	<p><b>Agreed.</b> See revised text.</p> <p><b>Agreed.</b> See revised text.</p>
63.	KPMG ELLP	3.23.	We would like to better understand how the fixed percentage will be applied to technical provisions and capital at risk defined/derived and would request details of when these are likely to be available.	<b>Noted.</b> Regarding calibration, please refer to CEIOPS' further advice on the MCR.
64.	Dutch Actuarial Society – Actuarieel Genootscha p (	3.25.	Please clarify what the status would be of contractual future profit sharing -for instance related to future interest rates-. These are conditional on future beneficial economic circumstances materialising although they are not at the companies discretion. In terms of risk mitigation they are therefore less risk absorbing than discretionary benefits, but considerably more than guaranteed benefits. This type of profitsharing is quite material in the Netherlands.	<b>Noted.</b> Elaboration on the split between guaranteed and discretionary benefits is out of the scope of this advice. Please refer to CEIOPS' advice on the Best Estimate
65.	KPMG ELLP	3.26.	<b>[EMPTY]</b>	

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66.	DIMA (Dublin International Insurance & Management	3.27.	<p>This paragraph promises a definition of non-retail unit-linked business, but this appears nowhere in the paper, making CEIOPS’s intention in this regard unclear.</p> <p>Additionally, the proposed sub-segmentation between unit-linked contracts with and without guarantees is not the appropriate one. We would favour an approach which decomposes total unit-linked provisions into the total of provisions arising from guarantees and the total of provisions in respect of guarantees (so that the provision in respect of a given contract with a guarantee is split between the guarantee part and linked investment part).</p> <p>In any event, we contend that the technical provisions in respect of the non-guaranteed part of unit-linked business should not form part of the MCR calculation (or should be calibrated to a zero factor).</p>	<p><b>Agreed.</b> See revised text.</p> <p><b>Not agreed.</b> We do not agree that the non-guaranteed part is free of risk in an MCR context (as a zero factor would imply)</p>
67.	Dutch Actuarial Society – Actuarieel Genootscha p (	3.27.	<p>Please clarify to what extent C.2.2 only relates to the value of the guarantees (with the fund value being reported under C.2.1) rather than the value of the guarantees plus the unit linked funds. The former would allow a smoother transition between UL funds without and UL with -but out of the money or immaterial –guarantees.</p>	<p><b>Not agreed.</b> We do not agree that the non-guaranteed part is free of risk in an MCR context</p>
68.	CEA, ECO-SLV- 09-450	3.28.	<p>Using “without profit” in the denomination, instead of “non-profit”, might be more consistent.</p>	<p><b>Agreed.</b> See revised text.</p>
69.	German Insurance Association –	3.28.	<p>Using “without profit” in the denomination, instead of “non-profit”, might be more consistent.</p>	<p><b>Agreed.</b> See revised text.</p>

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70.	DIMA (Dublin International Insurance & Management	3.29.	We disagree that technical provisions in respect of all inwards reinsurance accepted on with-profit business should be assigned to segment C.1.1. Reinsurance accepted should be treated exactly like direct business, with a possible attribution of part of the provisions to C.1.2.	<b>Not agreed.</b> We do not see evidence that C.1.2 would be relevant to indirect business.
71.	Association of British Insurers	3.30.	It would be relatively burdensome to calculate this at policy level. The floor of zero should only apply at homogeneous risk group to ease the calculation burden.	<b>Partially agreed.</b> See revised text.
72.	Dutch Actuarial Society – Actuarieel Genootscha p (	3.30.	Although we understand the desire for consistency in basing the MCR on the best estimate reserves as well, we would still suggest to define the capital at risk as the sums assured minus the fair value of the reserve as this is better aligned with the actual risk the insurer is running.	<b>Not agreed.</b> The proposal would likely lead to further complexity without appreciable benefit.
73.	CEA, ECO-SLV- 09-450	3.31.	The borderline between C.4.1 and to C.4.2 is unclear since the duration of 5 years belongs to both C.4.1 and C.4.2. C.4.1 should be defined by "...more than 5 years".	<b>Noted.</b> No longer relevant in revised text.
74.	Pricewaterho useCoopers LLP	3.31.	It is not clear why capital at risk needs to be split by outstanding term as this will add to the analyses which undertakings will have to perform for the MCR calculation.	<b>Agreed.</b> See revised text.
75.	Uniqa	3.31.	5 years belong to C.4.1 and to C.4.2 => C.4.1: "...more than 5 years" (also in 3.68)	<b>Noted.</b> No longer relevant in revised text.
76.	Centre Technique des Institutions	3.33.	We agree with CEIOPS on that the inclusion of deferred tax liabilities in the MCR linear formula would not lead to any significant regulatory benefit, and add complexity to the calculation.	<b>Noted.</b>

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	de Prévoyance (C)			
77.	International Underwriting Association of London	3.33.	<p>We do not believe that the benefit of deferred taxes should be excluded from the MCR on the basis outlined in Para 3.34, in respect of deferred taxes not be realised in a distressed situation. We believe they should be included in the MCR, at least as far as they are recognised under IAS 12, as that standard will not allow recognition of deferred taxes that are not realisable. We also believe its inclusion will increase the risk-sensitivity of the MCR.</p>	<b>Not agreed.</b> Please refer to our response to comment 163.
78.	KPMG ELLP	3.33.	<p>We agree that deferred tax liabilities may potentially decrease when a (re)insurance undertaking incurs losses, although this will depend on the composition of the deferred tax liability. However, if it merely reduces a deferred tax asset, then the potential loss-absorbing capacity will depend on whether that asset is recognised for Solvency II purposes. There are a number of CPs that consider deferred tax, including CP 35 and CP 46 and we suggest that these are collated and considered as a whole to ensure the recommendations are fully consistent.</p>	<b>Noted.</b>
79.	Legal & General Group	3.33.	<p>Where there are deferred tax liabilities that might be reduced if there are future tax losses, the loss absorbing capacity should be allowed for in the MCR.</p> <p>For deferred tax assets, e.g. where losses are used to reduce future taxable profits and thereby reduce future taxation, it is not appropriate to disregard them as it is possible for the asset to be usable in a wind up (for example in the run off of a life business). We would propose that the allowance or not of any deferred tax asset should be made by the regulator on a case by case basis.</p> <p>Also applies to sections 3.34 and 3.35</p>	<b>Not agreed.</b> Please refer to our response to comment 163.



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80.	PricewaterhouseCoopers LLP	3.33.	The proposals for deferred tax in this paragraph are broadly consistent with the loss-absorbency discussion in CP54. The way that losses and deferred tax liabilities interact is reasonable. However, we feel that there should be some possibility of recognition of deferred tax assets where they are of sufficiently high quality (acknowledging that this will require further discussion and consultation).	<b>Not agreed.</b> Please refer to our response to comment 163.
81.	Association of British Insurers	3.34.	<p>First bullet point:</p> <p>We don't agree with the general assessment that deferred tax liabilities are not important when the MCR becomes relevant.</p> <p>Second bullet point:</p> <p>This paragraph refers to challenges of taking deferred tax liabilities into account in general but not only concerning the MCR-calculation. We therefore don't see in this paragraph a reason why deferred tax liabilities should not be taken into account in the MCR-calculation while they are taken into account in the SCR-calculation.</p>	<b>Not agreed.</b> Please refer to our response to comment 163.
82.	CEA, ECO-SLV-09-450	3.34.	<p>First bullet point:</p> <p>We don't agree with the general assessment that deferred tax liabilities are not important when the MCR becomes relevant.</p> <p>Second bullet point:</p> <p>This paragraph refers to challenges of taking deferred tax liabilities into account in general but not only concerning the MCR-calculation. We therefore don't see in this paragraph a reason why deferred tax liabilities should not be taken into account in the MCR-calculation while they are taken into account in the SCR-calculation.</p>	<b>Not agreed.</b> Please refer to our response to comment 163.
83.	CRO Forum	3.34.	We do not agree with the general assessment that deferred tax liabilities are not important when the MCR becomes relevant.	<b>Not agreed.</b> Please refer to our response to comment 163.

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			This paragraph refers to challenges taking deferred tax liabilities into account in general but not only concerning the MCR-calculation. We believe deferred tax liabilities should be equivalently taken into account in the MCR-calculation and the SCR-calculation.	
84.	Legal & General Group	3.34.	See 3.33	<b>Noted.</b>
85.	Munich RE	3.34.	<p>First bullet point: There were many (not necessarily insurance) companies showing high profits at year end 2007 but showing losses at year end 2008. In this situation, the deferred tax liabilities could have been relevant for some insurance companies. We don't agree with the general assessment that deferred tax liabilities are not important when the MCR becomes relevant.</p> <p>Second bullet point: This paragraph refers to challenges taking deferred tax liabilities into account in general but not only concerning the MCR-calculation. We therefore don't see in this paragraph a reason why deferred tax liabilities should not be taken into account in the MCR-calculation while they are taken into account in the SCR-calculation.</p>	<p><b>Not agreed.</b> Feedback from QIS4 suggests that the argument put forward in the first bullet point is valid in a number of countries (See QIS4 Summary Report, 9.10.2.2).</p> <p>Please refer to our response to comment 163.</p>
86.	PricewaterhouseCoopers LLP	3.34.	As 3.33	<b>Noted.</b>
87.	RBS Insurance	3.34.	We don't agree with the general assessment that deferred tax liabilities are not important when the MCR becomes relevant. The treatment of deferred tax liabilities should be consistent for SCR and MCR.	<b>Not agreed.</b> Please refer to our response to comment 163.
88.	AAS BALTA	3.35.	Agree with CEIOPS conclusions that deferred tax shouldn't lead to a significant regulatory benefit.	<b>Noted.</b>

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89.	AB Lietuvos draudimas	3.35.	Agree with CEIOPS conclusions that deferred tax shouldn't lead to a significant regulatory benefit.	<b>Noted.</b>
90.	Association of British Insurers	3.35.	We do not agree with the assessment in general. By not taking deferred tax liabilities (DTL) into account in the MCR-calculation, there would be an inconsistency between the SCR- and the MCR-calculation, leading to higher MCRs (compared to a MCR-calculation being consistent with the SCR-calculation by taking DTL into account) and therefore a higher chance of the MCR being equal to 45% of the SCR.	<b>Not agreed.</b> Please refer to our response to comment 163. The 25%–45% corridor strongly limits any potential inconsistency between MCR and SCR. Furthermore, a higher MCR does not necessarily follow from the lack of a deferred tax allowance: the average effect would be offset by an adjustment factor applied to the overall calibration of the linear formula (see further advice on MCR calibration).
91.	CEA, ECO-SLV-09-450	3.35.	We don't agree with the assessment in general. By not taking deferred tax liabilities (DTL) into account in the MCR-calculation, there would be an inconsistency between the SCR- and the MCR-calculation, leading to higher MCRs (compared to a MCR-calculation being consistent with the SCR-calculation by taking DTL into account) and therefore a higher chance of the MCR being equal to 45% of the SCR.	<b>Not agreed.</b> Please refer to our responses to comments 90 and 163.
92.	Codan Forsikring A/S (10529638) DENMARK	3.35.	Agree with CEIOPS conclusions that deferred tax shouldn't lead to a significant regulatory benefit.	<b>Noted.</b>
93.	CRO Forum	3.35.	In our opinion the principles on the treatment of deferred taxes should be the same for the calculation of the SCR and the MCR in	<b>Not agreed.</b> Please refer to our responses to comments 90 and

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			<p>order to avoid inconsistencies. The loss absorbing effect of deferred taxes should be included to make the MCR more risk-sensitive and a more reflective of reality.</p> <p>The allowance of deferred taxes can have a significant effect on the SCR. The exclusion of deferred taxes in the MCR calculation would lead to a distortion comparing the MCR with the SCR. Especially, there would be a higher chance of the MCR being equal to 45% of the SCR.</p>	163.
94.	GROUPAMA	3.35.	We question the fact that deferred taxes absorption is not included in the MCR calculation. We do not see any reason not to include this absorption in the MCR calculation but to allow it in the SCR one.	<b>Not agreed.</b> Please refer to our response to comment 163.
95.	Groupe Consultatif	3.35.	There should be a clear guidance on the allowance of the loss-absorbing capacity of deferred taxes. In our opinion the principles on the treatment of deferred taxes should be the same for the calculation of the SCR and the MCR in order to avoid inconsistencies. The allowance of deferred taxes can have a significant effect on the SCR. The exclusion of deferred taxes in the MCR calculation would lead to a distortion comparing the MCR with the SCR.	<b>Not agreed.</b> Please refer to our response to comments 90 and 163.
96.	Legal & General Group	3.35.	See 3.33	<b>Noted.</b>
97.	Link4 Towarzystwo Ubezpieczeń SA	3.35.	Agree with CEIOPS conclusions that deferred tax shouldn't lead to a significant regulatory benefit.	<b>Noted.</b>
98.	Munich RE	3.35.	We don't agree with the assessment in general. By not taking	<b>Not agreed.</b> Please refer to our

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			deferred tax liabilities (DTL) into account in the MCR-calculation, there would be an inconsistency between the SCR- and the MCR-calculation, leading to higher MCRs (compared to a MCR-calculation being consistent with the SCR-calculation by taking DTL into account) and therefore a higher chance of the MCR being equal to 45% of the SCR.	responses to comments 90 and 163.
99.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.35.	Agree with CEIOPS conclusions that deferred tax shouldn't lead to a significant regulatory benefit.	<b>Noted.</b>
100.	Pearl Group Limited	3.35.	Pearl suggests that the deferred tax liabilities should be allowed for in the MCR since if a company were still to have one it would need to be able to pay it. If losses imply that the tax liability is reduced to zero then it won't make any difference to the MCR.	<b>Not agreed.</b> Please refer to our response to comment 163.
101.	PricewaterhouseCoopers LLP	3.35.	As 3.33	<b>Noted.</b>
102.	RBS Insurance	3.35.	We don't agree with the assessment in general. By not taking deferred tax liabilities (DTL) into account in the MCR-calculation, there would be an inconsistency between the SCR- and the MCR-calculation, leading to higher MCRs (compared to a MCR-calculation being consistent with the SCR-calculation by taking DTL into account) and therefore a higher chance of the MCR being equal to 45% of the SCR.	<b>Not agreed.</b> Please refer to our responses to comments 90 and 163.
103.	RSA Insurance Group PLC	3.35.	Agree with CEIOPS conclusions that deferred tax shouldn't lead to a significant regulatory benefit.	<b>Noted.</b>

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104.	RSA Insurance Ireland Ltd	3.35.	Agree with CEIOPS conclusions that deferred tax shouldn't lead to a significant regulatory benefit.	<b>Noted.</b>
105.	RSA - Sun Insurance Office Ltd.	3.35.	Agree with CEIOPS conclusions that deferred tax shouldn't lead to a significant regulatory benefit.	<b>Noted.</b>
106.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.35.	Agree with CEIOPS conclusions that deferred tax shouldn't lead to a significant regulatory benefit.	<b>Noted.</b>
107.	DIMA (Dublin International Insurance & Management	3.36.	[This comment applies to all of section 3.1.5, covering paragraphs 3.36 to 3.43]  It appears from the Directive that this section should relate only to legacy direct insurance undertakings which have written both life and non-life since before the first EU Directives came into force. We suggest that the CP should clarify that it does not apply to composite reinsurers.	<b>Partially agreed.</b> Please refer to our response to comment 211.
108.	KPMG ELLP	3.37.	We agree that the separate MCR requirements for life and non-life will mean that an allocation of the SCR between life and non-life business will be required to ensure that the SCR corridor is properly applied. However, we have some reservations as to the mechanics for doing so. See 3.41	<b>Noted.</b>
109.	PricewaterhouseCoopers LLP	3.38.	For composites, CEIOPS has stated that calculating notional life and non-life SCR does not constitute a capital requirement. Undertakings will need to be assured that this notional calculation does not become a capital requirement as it could result in a change in the way in which businesses are managed operationally.	<b>Agreed.</b> Added same text to blue box.

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110.	CEA, ECO-SLV-09-450	3.40.	Diversification benefits should also be recognized in the case of a group of undertakings.	<b>Not agreed.</b> Group issues are outside the scope of this advice. The review of the Level 1 framework for groups is not part of this advice either.
111.	German Insurance Association – Gesamtverb and der D	3.40.	Diversification benefits should also be recognized in the case of a group of undertakings.	<b>Not agreed.</b> Please refer to our response to comment 110.
112.	KPMG ELLP	3.41.	We believe that a simple division of the SCR into the notional life and non-life SCR using the ratio of the life and non-life MCRs has some drawbacks. Whilst this is a simple approach, it may introduce distorting effects, for example, the investment portfolio backing the different types of business could vary significantly. Since the MCR is determined without reference to the backing assets, ignoring this aspect could significantly distort the split of the notional SCRs. See also 3.37 and 3.71.	<b>Noted.</b> Please refer to our response to comment 213.
113.	CEA, ECO-SLV-09-450	3.42.	According to article 127 (1) d iv the sum of the absolute floor for life and for non life undertakings should be the floor for composites referred to in article 72 (5). This is however not applicable to undertakings referred to in article 72 (2). It is unclear if the requirement for the notional non-life MCR and the notional life MCR for composites not to be lower than the non-life absolute floor and the life absolute floor respectively covers also undertakings referred to in article 72 (2). It is our belief that there is no ground for such an interpretation in the Level 1 Text.	<b>Agreed.</b> See revised text.
114.	DIMA (Dublin)	3.44.	[This comment applies to all of section 3.1.6 Quarterly calculation of the corridor (incorrectly designated 3.1.3 in the CP), covering	<b>Noted.</b>

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	International Insurance & Management		<p>paragraphs 3.44 to 3.54]</p> <p>We support the position mentioned in paragraph 3.50, that the corridor for the MCR should always be based on the last reported SCR, bearing in mind that the SCR must be recalculated and reported more frequently than annually if the undertaking's risk profile alters significantly.</p> <p align="right"><b>Noted.</b></p>
115.	PricewaterhouseCoopers LLP	3.45.	<p>MCR is required to be calculated and reported quarterly but as this calculation is partly based on SCR, undertakings will need to calculate quarterly SCRs. This will further add to the reporting requirements for undertakings outside the annual process.</p> <p align="right"><b>Noted.</b></p>
116.	AMICE	3.46.	<p>From the obligation to check the corridors also on a quarterly basis, CEIOPS concludes that "the SCR shall be calculated on a quarterly basis". This as such is in contradiction to the level 1 text: Art 102 (1) requires calculation of SCR "at least once a year".</p> <p>Recalculation only when the risk profile deviates significantly from earlier assumptions.</p> <p>Art 127 (2) requires calculation of MCR "at least quarterly" but stipulates also in par 1b that the MCR shall remain within the corridor of .. % of the SCR calculated in accordance with ch 6 s 4 subs 2 (or 3) – meaning (at least) once a year.</p> <p>Further, this demand is in contradiction with CP58 which foresees that quantitative reporting templates to be provided quarterly, should be reported no later than 3 or 4 weeks after the quarter end. This delay will clearly not be sufficient if the SCR calculation requires such quantitative information. Certain data cannot be delivered on a quarterly basis. (i.e reinsurance treaties do not change every quarter to require a new recalculation of the CAT risk.)</p> <p>Additionally this requirement conflicts with the statement in</p> <p><b>Not agreed.</b> The Level 1 text does not set an upper limit to the frequency of SCR calculation, only a lower limit (at least once a year).</p> <p><b>Noted.</b> Only those (sub)modules of the SCR whose main risk drivers have changed significantly since the last calculation are recalculated.</p> <p align="right"><b>Not agreed.</b> See above.</p>



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			paragraph 3.118 in CP56 which requires undertakings to calculate the Solvency Capital Requirement using the internal model at least annually.	
117.	CRO Forum	3.46.	See our comment on §3.75	<b>Noted.</b>
118.	Groupe Consultatif	3.46.	We are in favour of a quarterly assessment of the SCR, but with reasonable approximations and to perform a full re-calculation only once a year (except in extraordinary circumstances such as financial difficulty or major changes to the business). Nevertheless, we have also suggested some flexibility in allowing undertakings time to transition to more frequent calculation. So, in the meantime when the SCR is not available for inter-annum assessment, we suggest using as a proxy the previous SCR to derive the MCR figure, adjusted for the development of the technical provisions (or premiums as appropriate).	<b>Not agreed.</b> CEIOPS maintains in principle its position in paragraphs 3.77 and 3.78
119.	KPMG ELLP	3.46.	<p>Calculation of a quarterly SCR, even using the simplifications outlined in paragraphs 3.48 to 3.54, will be quite onerous for some (re)insurance undertakings.</p> <p>Given the quarterly SCR is only required to ensure that the determined MCR sits within the SCR corridor, we believe that some parameters should be set around when the SCR is required to be updated, rather than it being a mandatory requirement. This would, in our view, be a more proportionate response.</p> <p>For example, given the MCR must fall within a range of 25% to 45% of the SCR, the quarterly SCR could only be required only if</p> <ul style="list-style-type: none"> <li>- at the previous year/quarter end the MCR was actually adjusted as a result of the corridor or it fell outside, say, 30% to 40% of the SCR and/or</li> <li>- there has been a significant change in the risk profile of the (re)insurance undertaking.</li> </ul>	<p><b>Noted.</b></p> <p><b>Not agreed.</b> CEIOPS maintains in principle its position in paragraphs 3.77 and 3.78</p>

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120.	Association of British Insurers	3.48.	Simplifications should also be allowed when internal models are used.	<b>Not agreed.</b> CEIOPS believes that the requirement in paragraph 3.51 is according to the principle of proportionality.
121.	CEA, ECO-SLV-09-450	3.48.	Simplifications should also be allowed when internal models are used. In the CP on Internal models reference is made to the use of simplifications.	<b>Not agreed.</b> CEIOPS believes that the requirement in paragraph 3.51 is according to the principle of proportionality.
122.	Deloitte	3.48.	The simplifications referred to here and subsequent paragraphs are welcomed.	<b>Noted.</b>
123.	Lloyd's	3.48.	Simplifications should be permitted in respect of undertakings using an internal model as well.	<b>Not agreed.</b> CEIOPS believes that the requirement in paragraph 3.51 is according to the principle of proportionality.
124.	RBS Insurance	3.48.	See comment under paragraph 3.77	<b>Noted.</b>
125.	XL Capital Ltd	3.48.	The section in 3.48 to 3.54 applies to undertakings using the standard formula for their SCR calculation. We would welcome guidance from CEIOPS on whether undertakings using internal models to calculate their SCR would be allowed to use the same simplification rules.	See paragraph 3.51.
126.	Association of British Insurers	3.49.	We believe that this simplification is very helpful and will significantly contribute to the timely reporting of MCR.	<b>Noted.</b>
127.	Association of Run-Off Companies	3.49.	We would recommend that the simplification for companies in run-off, to reduce the administrative burden, is that the SCR is only calculated annually.	<b>Not agreed.</b> Well capitalised companies in run-off would probably be able to use simplifications, as there are less

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				likely to be changes in the risk profile.
128.	CEA, ECO-SLV-09-450	3.49.	We agree the SCR should not be fully recalculated for quarterly reporting since a quarterly calculation of the SCR would be very burdensome for many companies.	<b>Noted.</b>
129.	DIMA (Dublin International Insurance & Management	3.49.	If the suggestion in our comment on paragraph 3.44 is not accepted, it will be necessary for CEIOPS to expand very substantially on what it means by "...whose main risk drivers have changed significantly ...".	<b>Noted.</b>
130.	Dutch Actuarial Society – Actuariel Genootschap (	3.49.	To the extent that the calculation is purely for the benefit of producing the corridor we would prefer a simple carry forward method as stated under 3.50.  An exception could be made for firms that are operating at the cap/floor of the corridor (and are thus susceptible for changes in the SCR in determining the MCR) and/or where the SCR is close to the available funds and/or where the quality of the own funds backing the MCR is poor.	<b>Noted.</b>  <b>Noted.</b>
131.	German Insurance Association – Gesamtverband der D	3.49.	We agree the SCR should not be fully recalculated for quarterly reporting since a quarterly calculation of the SCR would be very burdensome for many companies.	<b>Noted.</b>
132.	International Underwriting Association of London	3.49.	We are concerned that the MCR might force a quarterly recalculation of the SCR (to determine the upper and lower bounds), where full or partial internal models are used. We would suggest that simplifications and approximations should be permitted to the same extent as under the standard formula. A full	<b>Not agreed.</b> CEIOPS believes that the requirement in paragraph 3.51 is according to the principle of proportionality.

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			recalculation to audit standard would be very onerous, and could be a disincentive to opt for an internal model. We would also question whether firms should use the parameters set out (and documented) in the previous year's SCR.	
133.	RBS Insurance	3.49.	See comment under paragraph 3.78	<b>Noted.</b>
134.	Uniqa	3.49.	<p>How can "significantly" be understood and who defines it? Why should simplifications only be allowed if the "pure" standard approach is used? Maybe the authority should decide if and to what extent a recalculation has to take place. A quarterly calculation of the SCR would be very burdensome for many companies (also 3.77 and 3.78). Which interest rate curve should be applied in case of a (re)calculation of the SCR?</p> <p>One should also think about using a simple "carry forward" of the last reported SCR instead of a recalculation. The measure could be the development of technical provisions.</p>	<p><b>Noted.</b> Guidance on this is outside the scope of this advice.</p> <p><b>Noted.</b> This is a minority view within CEIOPS.</p>
135.	AAS BALTA	3.50.	Provided the risk profile of the business has not particularly changed and business is well capitalised, then maybe adequate to carry forward last reported SCR adjusted for known volume changes.	<b>Not agreed.</b> CEIOPS maintains in principle its position in paragraphs 3.77 and 3.78.
136.	AB Lietuvos draudimas	3.50.	Provided the risk profile of the business has not particularly changed and business is well capitalised, then maybe adequate to carry forward last reported SCR adjusted for known volume changes.	<b>Not agreed.</b> CEIOPS maintains in principle its position in paragraphs 3.77 and 3.78.
137.	Association of British Insurers	3.50.	We strongly agree with the minority view. We would suggest the phrase "roll forward" rather than "carry forward" to reflect the estimated number is being updated implicitly for new business and market conditions.	<b>Not agreed.</b> CEIOPS maintains in principle its position in paragraphs 3.77 and 3.78.
138.	CEA,	3.50.	For quarterly calculation of the SCR, we suggest a simple "carry	<b>Not agreed.</b> CEIOPS maintains in

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	ECO-SLV-09-450		forward” of the last reported SCR. This could be done be “translating” the SCR to a percentage of, say, the technical provisions.	principle its position in paragraphs 3.77 and 3.78.
139.	Codan Forsikring A/S (10529638) DENMARK	3.50.	Provided the risk profile of the business has not particularly changed and business is well capitalised, then maybe adequate to carry forward last reported SCR adjusted for known volume changes.	<b>Not agreed.</b> CEIOPS maintains in principle its position in paragraphs 3.77 and 3.78.
140.	German Insurance Association – Gesamtverb and der D	3.50.	For quarterly calculation of the SCR, we suggest a simple “carry forward” of the last reported SCR. This could be done be “translating” the SCR to a percentage of, say, the technical provisions.	<b>Not agreed.</b> CEIOPS maintains in principle its position in paragraphs 3.77 and 3.78.
141.	Link4 Towarzystw o Ubezpieczeń SA	3.50.	Provided the risk profile of the business has not particularly changed and business is well capitalised, then maybe adequate to carry forward last reported SCR adjusted for known volume changes.	<b>Not agreed.</b> CEIOPS maintains in principle its position in paragraphs 3.77 and 3.78.
142.	Lloyd’s	3.50.	There is strong merit in allowing the last (year end) SCR to be used as a proxy to establish the corridor against which the quarterly MCR calculations may be assessed on the grounds of proportionality. This would not apply where the undertaking has subsequently had to recalculate the SCR due to a material change in the undertaking’s risk profile.	<b>Not agreed.</b> CEIOPS maintains in principle its position in paragraphs 3.77 and 3.78.
143.	NORWAY: Codan Forsikring (Branch Norway)	3.50.	Provided the risk profile of the business has not particularly changed and business is well capitalised, then maybe adequate to carry forward last reported SCR adjusted for known volume changes.	<b>Not agreed.</b> CEIOPS maintains in principle its position in paragraphs 3.77 and 3.78

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144.	RSA Insurance Group PLC	3.50.	Provided the risk profile of the business has not particularly changed and business is well capitalised, then maybe adequate to carry forward last reported SCR adjusted for known volume changes.	<b>Not agreed.</b> CEIOPS maintains in principle its position in paragraphs 3.77 and 3.78
145.	RSA Insurance Ireland Ltd	3.50.	Provided the risk profile of the business has not particularly changed and business is well capitalised, then maybe adequate to carry forward last reported SCR adjusted for known volume changes.	<b>Not agreed.</b> CEIOPS maintains in principle its position in paragraphs 3.77 and 3.78
146.	RSA - Sun Insurance Office Ltd.	3.50.	Provided the risk profile of the business has not particularly changed and business is well capitalised, then maybe adequate to carry forward last reported SCR adjusted for known volume changes.	<b>Not agreed.</b> CEIOPS maintains in principle its position in paragraphs 3.77 and 3.78
147.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.50.	Provided the risk profile of the business has not particularly changed and business is well capitalised, then maybe adequate to carry forward last reported SCR adjusted for known volume changes.	<b>Not agreed.</b> CEIOPS maintains in principle its position in paragraphs 3.77 and 3.78
148.	Association of British Insurers	3.51.	The condition of eligible Tier 1 and Tier 2 basic own funds covering at least 200% of MCR leads to a burdensome and inappropriate calculations, if the undertaking has not breached the SCR. We do not see the point of this additional complicating criteria.	<b>Partially agreed.</b> See revised text. CEIOPS' view is that there is a need for full legal certainty in the proximity of an MCR breach. However a lower threshold is suggested in view of stakeholder feedback.
149.	CEA, ECO-SLV-09-450	3.51.	The condition of eligible Tier 1 and Tier 2 basic own funds covering at least 200 % of MCR leads to a burdensome and inappropriate calculations, if the undertaking has not breached the SCR.	<b>Partially agreed.</b> See our response to comment 148.

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150.	Deloitte	3.51.	The situations for requiring a full SCR calculation each quarter seem reasonable.	<b>Noted.</b>
151.	German Insurance Association – Gesamtverb and der D	3.51.	The condition of eligible Tier 1 and Tier 2 basic own funds covering at least 200 % of MCR leads to a burdensome and inappropriate calculations, if the undertaking has not breached the SCR.	<b>Partially agreed.</b> See our response to comment 148.
152.	KPMG ELLP	3.51.	<p>(a) We welcome the simplifications proposed, however believe that there will be circumstances where no adjusted SCR is required in any case. For example if the MCR as a proportion of the SCR is midway between the 25% and 45% boundaries at the previous year/quarter end, then unless there has been a significant change in the business or risk profile of the (re)insurance undertaking concerned, then it is very unlikely that it will breach one of those limits for the current quarter.</p> <p>(b) We do not understand the rationale for including a ratio of MCR to Basic Own Funds as a trigger for full SCR recalculation.</p> <p>See 3.46 also</p>	<p><b>Noted.</b></p> <p><b>Noted.</b> A full SCR recalculation is required if there is proximity of a breach of MCR.</p>
153.	RBS Insurance	3.51.	See comment under paragraph 3.79	<b>Noted.</b>
154.	CEA, ECO-SLV-09-450	3.52.	The CEA asks Ceiops to develop further the practical consequences of this paragraph about the proportionality principle.	<b>Noted.</b>
155.	Deloitte	3.52.	Given the significant amount of effort that can be required for a complete re-run (including re-parametrisation) of an internal model, the ability to be able to use a pragmatic approach is very important. We would suggest that arrangements for quarterly	<b>Noted.</b>

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			recalculations of the SCR (for MCR calculation purposes) be taken into account during the appropriate model approval process.	
156.	DIMA (Dublin International Insurance & Management)	3.52.	If the suggestion in our comment on paragraph 3.44 is not accepted, it will be necessary for CEIOPS to expand very substantially on what it means by "...shall apply a quarterly calculation that is sufficiently sophisticated...".	<b>Noted.</b> Guidance on this is outside the scope of this advice.
157.	German Insurance Association - Gesamtverb and der D	3.52.	The GDV asks CEIOPS to develop further the practical consequences of this paragraph about the proportionality principle.	<b>Noted.</b>
158.	KPMG ELLP	3.52.	(a) As regards proportionality, we believe the requirement (when required – see 3.46 and 3.51) for the quarterly SCR calculation to be "sufficiently sophisticated" should not become too complicated in practice, as this is likely to incur disproportionate additional resource and costs. (Re)insurance undertakings which have experienced a significant change in risk profile should already be well aware of this and be recalculating their MCR and SCR on a more rigorous basis in any case where this has significantly reduced the Own Funds coverage.  (b) Further guidance on what "sufficiently sophisticated" actually means would be useful.	<b>Noted.</b>  <b>Noted.</b> Guidance on this is outside the scope of this advice.
159.	Lloyd's	3.52.	As regards proportionality, a requirement for the quarterly SCR calculation to be "sufficiently sophisticated" should not be too complicated in practice, as this is likely to incur disproportionate additional resource and costs. Undertakings which have experienced a significant change in risk profile will know about it and will recalculate on a more rigorous basis in any case.	<b>Noted.</b>



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			Further guidance on what "sufficiently sophisticated" means would be useful.	<b>Noted.</b> Guidance on this is outside the scope of this advice.
160.	PricewaterhouseCoopers LLP	3.52.	It is not clear what would constitute a sufficiently sophisticated calculation for SCR.	<b>Noted.</b> Guidance on this is outside the scope of this advice.
161.	RBS Insurance	3.52.	We believe that more guidance is needed with regards simplifications when using partial internal model. The reference to ".the calculation ... sufficiently sophisticated" should be clarified.	<b>Noted.</b> Guidance on this is outside the scope of this advice.
162.	Association of Run-Off Companies	3.54.	Is this an exemption for the quarterly calculation of the SCR for those companies who are in breach as per 3.51b?	<b>Noted.</b> This could mean that companies that are in breach of the absolute floor were allowed to use simplifications.
163.	Association of British Insurers	3.55.	We do not agree with the general assessment that deferred tax liabilities are not important when the MCR becomes relevant. Also CEIOPS' conclusion is not in line with the Level 1 text of the Directive. We consider that not taking deferred tax liabilities into account could result in a non-economic approach.	<b>Not agreed.</b> Regarding consistency with Level 1, under Article 127(1a) it is explicitly allowed to use a only a sub-set of the variables in the list. There is some merit in the argument that the economic risk-sensitivity of the formula would be improved by allowing for deferred taxes. However, in the absence of a proper basis for calibration, and of a consistent interpretation across jurisdictions, which has been the state of affairs in QIS4, such benefits would not be realized. Please find revised text with further

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				argument for CEIOPS' position.
164.	CEA, ECO-SLV-09-450	3.55.	The CEA doesn't agree with the general assessment that deferred tax liabilities are not important when the MCR becomes relevant. Also Ceiops' conclusion is not in line with the Level 1 text of the Directive. We consider that not taking deferred tax liabilities into account could result in a non economic approach.	<b>Not agreed.</b> Please refer to our responses to comment 163.
165.	FFSA	3.55.	CEIOPS considers that the inclusion of deferred tax liabilities in the MCR linear formula would not lead to any significant regulatory benefit, and therefore will not consider them in the MCR calculation (link 3.35)  FFSA considers that not taking deferred tax liabilities into account could result in a non economic, overly conservative approach.	<b>Noted.</b>  <b>Not agreed.</b> Please refer to our responses to comment 163.
166.	German Insurance Association – Gesamtverb and der D	3.55.	The GDV doesn't agree with the general assessment that deferred tax liabilities are not important when the MCR becomes relevant. Also CEIOPS' conclusion is not in line with the Level 1 text of the Directive. We consider that not taking deferred tax liabilities into account could result in a non economic approach.	<b>Not agreed.</b> Please refer to our responses to comment 163.
167.	Legal & General Group	3.55.	Contained within the white text (3.33 – 3.35) is the decision to not allow for the loss absorbency of deferred tax allowances – this is an important point and should be covered by the blue text. As a result, we comment on it here.  Where there are deferred tax liabilities that might be reduced if there are future tax losses, the loss absorbing capacity should be allowed for in the MCR.  For deferred tax assets, e.g. where losses are used to reduce future taxable profits and thereby reduce future taxation, it is not appropriate to disregard them as it is possible for the asset to be usable in a wind up (for example in the run off of a life business).	<b>Agreed.</b> Advice text updated to include this point.  <b>Not agreed.</b> Please refer to our responses to comment 163.

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			We would propose that the allowance or not of any deferred tax asset should be made by the regulator on a case by case basis.	
168.	CEA, ECO-SLV-09-450	3.56.	We appreciate that it is clearly stated that the floor and the cap are to be applied on the internal model in case of being approved.	<b>Noted.</b>
169.	German Insurance Association – Gesamtverb and der D	3.56.	We appreciate that it is clearly stated that the floor and the cap are to be applied on the internal model in case of being approved.	<b>Noted.</b>
170.			Confidential comment deleted	
171.			Confidential comment deleted	
172.	CRO Forum	3.57.	<p>In contrast to the SCR-calculation, the proposed formula does not allow for diversification benefits (risk to apply the cap-floor to comply the 25-45% corridor very frequently). So, we propose to include diversification benefits, possibly via a correlations matrix analogously to the SCR-calculation.</p> <p>In addition, the segmentation of the MCR must have a correspondence with the one used for calculating the SCR.</p>	<p><b>Not agreed.</b> Please refer to our response to comment 175.</p> <p><b>Not agreed.</b> Please refer to our response to comment 171.</p>
173.	FFSA	3.57.	<p>CEIOPS proposes the following segmentation for the MCR: A) Non Life activities practiced on a non-life technical basis, B) Non-Life activities technically similar to life, C) Life activities practiced on a life technical basis, D) life activities – supplementary obligations practiced on a non-life technical basis</p> <p>FFSA thinks that the segmentation of the MCR must have a correspondence with the one used in SCR. Two different segmentations will lead to some difficulties in interpreting the</p>	<b>Not agreed.</b> Please refer to our response to comment 171.

<p align="center"><b>Summary of Comments on CEIOPS-CP-55/09</b></p> <p align="center"><b>Consultation Paper on the Draft L2 Advice on SCR Standard Formula - MCR calculation</b></p>				CEIOPS-SEC-118/09
			results between the SCR and the MCR. FFSA thinks that the MCR and the SCR should be consistent in term of segmentation, that is: if SCR distinguishes segmentation A, B, C, MCR must use the same segmentation (e.g., A, B, C, or A, B, or A, C, etc.).	
174.	Groupe Consultatif	3.57.	Segmentation of the SCR must have a correspondence with the one used in SCR	<b>Not agreed.</b> Please refer to our response to comment 171.
175.	Munich RE	3.57.	In contrast to the SCR-calculation, the proposed formula does not allow for diversification benefits. We propose to include diversification benefits, possibly via a correlations matrix analogously to the SCR-calculation.	<b>Not agreed.</b> According to Article 127(2) of the Level 1 text MCR must be calculated via the linear formula which includes no allowance for diversification effects.
176.	RBS Insurance	3.57.	We believe proportionality needs to be applied regarding the requirement to split out non-life activities technically similar to life.	<b>Noted.</b>
177.	ROAM –	3.57.	<p>CEIOPS proposes the following segmentation for the MCR: A) Non Life activities practiced on a non-life technical basis, B) Non-Life activities technically similar to life, C) Life activities practiced on a life technical basis, D) life activities – supplementary obligations practiced on a non-life technical basis</p> <p>ROAM thinks that the segmentation of the MCR must have a correspondence with the one used in SCR. Two different segmentations will lead to some difficulties in interpreting the results between the SCR and the MCR. ROAM thinks that the MCR and the SCR should be consistent in term of segmentation, that is: if SCR distinguishes segmentation A, B, C, MCR must use the same segmentation (e.g., A, B, C, or A, B, or A, C, etc.).</p>	<b>Not agreed.</b> Please refer to our response to comment 171.
178.	Association of British Insurers	3.59.	See comments to 3.12.	<b>Not agreed.</b> Please refer to our response to comment 38.

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179.	CEA, ECO-SLV- 09-450	3.59.	We do not agree with the separation of finite reinsurance. It is hardly possible to define finite reinsurance objectively. In our opinion from a risk transfer perspective there is no difference between finite reinsurance and other reinsurance as long as the reinsurance is valued properly. Therefore this separation should be avoided completely. This comment also applies to 3.60.	<b>Not agreed.</b> Please refer to our response to comment 38.
180.	CRO Forum	3.59.	We do not agree with the separation of finite reinsurance. It is hardly possible to define finite reinsurance objectively. In our opinion from a risk transfer perspective there is no difference between finite reinsurance and other reinsurance as long as the reinsurance is valued properly. Therefore this separation should be avoided completely. This comment also applies to §3.60.	<b>Not agreed.</b> Please refer to our response to comment 38.
181.	DIMA (Dublin International Insurance & Management	3.59.	The clause “where the recoverables should not include recoverables from finite reinsurance” should be removed. There is no justification for excluding any reduction in net technical provisions validly arising from the use of finite reinsurance from the MCR volume measure.	<b>Not agreed.</b> Please refer to our response to comment 38.
182.	German Insurance Association – Gesamtverb and der D	3.59.	We do not agree with the separation of finite reinsurance. It is hardly possible to define finite reinsurance objectively. In our opinion from a risk transfer perspective there is no difference between finite reinsurance and other reinsurance as long as the reinsurance is valued properly. Therefore this separation should be avoided completely. This comment also applies to 3.60.	<b>Not agreed.</b> Please refer to our response to comment 38.
183.	Ireland’s Solvency 2 Group	3.59.	We cannot understand why reductions in net technical provisions validly arising from the use of finite reinsurance should be excluded.	<b>Not agreed.</b> Please refer to our response to comment 38.
184.	Munich RE	3.59.	We do not agree with the separation of finite reinsurance. It is hardly possible to define finite reinsurance objectively. In our	<b>Not agreed.</b> Please refer to our response to comment 38.

<b>Summary of Comments on CEIOPS-CP-55/09</b> <b>Consultation Paper on the Draft L2 Advice on SCR Standard Formula - MCR calculation</b>				CEIOPS-SEC-118/09
			opinion from a risk transfer perspective there is no difference between finite reinsurance and other reinsurance as long as the reinsurance is valued properly. Therefore this separation should be avoided completely. This comment also applies to 3.60.	
185.	Association of British Insurers	3.60.	See comments to 3.12.	<b>Not agreed.</b> Please refer to our response to comment 38.
186.	DIMA (Dublin International Insurance & Management	3.60.	Similarly to the comment on 3.59 above, the sentence "The reinsurance premiums should not include payments of reinsurance premiums for finite reinsurance" should be removed.	<b>Not agreed.</b> Please refer to our response to comment 38.
187.	Ireland's Solvency 2 Group	3.60.	For the same reasons as set out in 3.59 above, the sentence "The reinsurance premiums should not include payments of reinsurance premiums for finite reinsurance." should be removed.	<b>Not agreed.</b> Please refer to our response to comment 38.
188.	RBS Insurance	3.60.	See comment under paragraph 3.13	<b>Agreed.</b> Please refer to our response to comment 43.
189.	Uniqa	3.60.	Could it be possible that the MCR is higher than the SCR calculated from the Internal Model?	<b>Noted.</b> It is possible that MCR is higher than SCR (whether calculated by standard formula or internal model) if the absolute floor of the MCR is higher than the SCR.
190.	CEA, ECO-SLV-09-450	3.61.	In some cases, accounting system will not register premiums for the last 12 months. A proxy like planned written premium for current year should be available for such undertakings.	<b>Not agreed.</b> Planned written premiums are not auditable as required by Level 1 text.
191.	German	3.61.	In some cases, accounting system will not register premiums for	<b>Not agreed.</b> Planned written

<p style="text-align: center;"><b>Summary of Comments on CEIOPS-CP-55/09</b></p> <p style="text-align: center;"><b>Consultation Paper on the Draft L2 Advice on SCR Standard Formula - MCR calculation</b></p>				CEIOPS-SEC-118/09
	Insurance Association – Gesamtverb and der D		the last 12 months. A proxy like planned written premium for current year should be available for such undertakings.	premiums are not auditable as required by Level 1 text.
192.	Pearl Group Limited	3.61.	We are unable to assess the impact of this CP as the calibration of the factors to be used is to be provided later in further advice.	<b>Noted.</b> Regarding calibration, please refer to CEIOPS' further advice on the MCR.
193.	RBS Insurance	3.61.	We would welcome the publication of the calibration as soon as possible.	<b>Noted.</b> Regarding calibration, please refer to CEIOPS' further advice on the MCR.
194.	Uniqa	3.61.	<p>TPj: The notation "TP" is unclear: On the one side one could believe that the statutory reserve is meant. On the other the notation is not consistent with CP 45 and 48.</p> <p>Are simplifications allowed in the quarterly BE calculation and which interest rate curve should be used?</p> <p>Pj: No accounting system has rolling premiums available (e.g. from March(j-1) to March(j)). We suggest to use the planned written premium for year j.</p>	<p><b>Partially agreed.</b> Added new para to clarify.</p> <p><b>Noted.</b> Simplifications for technical provisions calculation are outside the scope of this advice.</p> <p><b>Not agreed.</b> Planned written premiums are not auditable as required by Level 1 text.</p>
195.	CEA, ECO-SLV-09-450	3.62.	We suggest not to list the insurance classes in several places but to refer to the segmentation of e.g. the standard model instead, in order to avoid the risk of the lists becoming mismatched.	<b>Noted.</b>
196.	German	3.62.	We suggest not to list the insurance classes in several places but to	<b>Noted.</b>

<p style="text-align: center;"><b>Summary of Comments on CEIOPS-CP-55/09</b></p> <p style="text-align: center;"><b>Consultation Paper on the Draft L2 Advice on SCR Standard Formula - MCR calculation</b></p>				CEIOPS-SEC-118/09
	Insurance Association – Gesamtverb and der D		refer to the segmentation of e.g. the standard model instead, in order to avoid the risk of the lists becoming mismatched.	
197.	CEA, ECO-SLV-09-450	3.64.	Using the same factors for life and SLT health does not seem to be adequate. While life usually guarantees a certain interest rate for the whole span of the contract, health SLT guarantees the interest rate only for a short period, about 2-4 years. Therefore, the technical provisions should be multiplied by a smaller factor. However, because of the important claim expense risk, the MCR for health SLT should contain a linear term involving the claim expenses or premiums.	<b>Not agreed.</b> Please refer to our response to comment 56.
198.	German Insurance Association – Gesamtverb and der D	3.64.	Using the same factors for life and SLT health does not seem to be adequate. While life usually guarantees a certain interest rate for the whole span of the contract, health SLT guarantees the interest rate only for a shorter. Therefore, the technical provisions should be multiplied by a smaller factor. However, because of the important claim expense risk, the MCR for health SLT should contain a linear term involving the claim expenses or premiums.	<b>Not agreed.</b> Please refer to our response to comment 56.
199.	Uniqa	3.65.	<p>What about non retail unit linked business which is mentioned to be excluded in point 3.23?</p> <p>TPj: Has the TP be completely recalculated or are simplifications allowed, what about the interest rate curve?</p>	<p><b>Noted.</b> Reference to non-retail unit-linked business has been removed.</p> <p><b>Noted.</b> Simplifications for technical provisions calculation are outside the scope of this advice.</p>
200.	Association	3.66.	It is not clear how to calculate the split of technical provisions	<b>Not agreed.</b> The split between



<p style="text-align: center;"><b>Summary of Comments on CEIOPS-CP-55/09</b></p> <p style="text-align: center;"><b>Consultation Paper on the Draft L2 Advice on SCR Standard Formula - MCR calculation</b></p>				CEIOPS-SEC-118/09
	of British Insurers		between guaranteed benefits and future discretionary benefits, particularly in the context of UK with-profits business. Further guidance is needed on this.	guaranteed and discretionary benefits is outside the scope of this advice. Please refer to CEIOPS' advice on the Best Estimate.
201.	DIMA (Dublin International Insurance & Management	3.66.	We contend that the technical provisions in respect of the non-guaranteed part of unit-linked business should not form part of the MCR calculation (or should be calibrated to a zero factor). (Note there is a typo in this paragraph, where both sub-segments of unit-linked contracts are designated "C.2.2")	<b>Not agreed.</b> For consistency with the SCR adjustment, a negative factor is being considered. Please refer to CEIOPS' further advice on the MCR (calibration).
202.	Pearl Group Limited	3.66.	We are unable to assess the impact of this CP as the calibration of the factors to be used is to be provided later in further advice.	<b>Noted.</b> Regarding calibration, please refer to CEIOPS' further advice on the MCR.
203.	CEA, ECO-SLV-09-450	3.67.	It may be more appropriate if technical provisions for reinsurance accepted are apportioned according to the stipulations of the reinsurance contract.	<b>Not agreed.</b> No concrete suggestion is offered in the comment. This would likely lead to added complexity and calibration difficulties, with no clear benefit.
204.	CRO Forum	3.67.	In our opinion technical provisions for reinsurance accepted should be apportioned according to the stipulations of the reinsurance contract. Reinsurance contracts should not be apportioned according to the segmentation of the underlying direct business.	<b>Not agreed.</b> Please refer to our response to comment 203.
205.	DIMA (Dublin International Insurance &	3.67.	We disagree that technical provisions in respect of all inwards reinsurance accepted on with-profit business should be assigned to segment C.1.1. Reinsurance accepted should be treated exactly like direct business, with a possible attribution of part of the provisions	<b>Not agreed.</b> We do not see evidence that C.1.2 would be relevant to indirect business.

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	Management		to C.1.2.	
206.	German Insurance Association – Gesamtverb and der D	3.67.	It may be more appropriate if technical provisions for reinsurance accepted are apportioned according to the stipulations of the reinsurance contract.	<b>Not agreed.</b> Please refer to our response to comment 203.
207.	Munich RE	3.67.	In our opinion technical provisions for reinsurance accepted should be apportioned according to the stipulations of the reinsurance contract. Reinsurance contracts should not be apportioned according to the segmentation of the underlying direct business.	<b>Not agreed.</b> Please refer to our response to comment 203.
208.	CEA, ECO-SLV-09-450	3.68.	The borderline between C.4.1 and to C.4.2 is unclear since the duration of 5 years belongs to both C.4.1 and C.4.2. C.4.1 should be defined by "...more than 5 years".	<b>Noted.</b> No longer relevant in revised text.
209.	German Insurance Association – Gesamtverb and der D	3.68.	The borderline between C.4.1 and to C.4.2 is unclear since the duration of 5 years belongs to both C.4.1 and C.4.2. C.4.1 should be defined by "...more than 5 years".	<b>Noted.</b> No longer relevant in revised text.
210.	Pearl Group Limited	3.68.	We are unable to assess the impact of this CP as the calibration of the factors to be used is to be provided later in further advice.	<b>Noted.</b> Regarding calibration, please refer to CEIOPS' further advice on the MCR.
211.	DIMA (Dublin International Insurance & Management	3.70.	[This comment applies to all of section 3.2.6, covering paragraphs 3.70 to 3.74]  It appears from the Directive that this section should relate only to legacy direct insurance undertakings which have written both life and non-life since before the first EU Directives came into force. We	<b>Partially agreed.</b> Revised text to clarify that the section relates to <u>insurance undertakings</u> referred to in Article 72(2) and(5), both new and old composites. Agree that reinsurers are not affected as

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			<p>suggest that the consultation paper should clarify that it does not apply to composite reinsurers.</p>	<p>Article 73(2) refers only to insurance undertakings.</p>
212.	Association of British Insurers	3.71.	<p>We believe that the MCR should be simply expressed as a straightforward percentage of the SCR (e.g. 35%, being the mid range of the 25%-45% corridor). This would ensure an economic coherence between the SCR and the MCR.</p>	<p><b>Not agreed.</b> Calculating the MCR as a percentage of the SCR is inconsistent with Level 1.</p>
213.	CRO Forum	3.71.	<p>The result of a simplistic calculation (MCR) with limited risk sensitivity is used to split the result of a complex, risk sensitive calculation (SCR). The methods for calculating MCR and SCR are inconsistent by their nature. Very likely this split will be quite different when it is explicitly calculated with the SCR (standard or internal) model (applied to the life and non-life part of a composite company). The CRO forum would therefore prefer to derive the SCR split from the SCR model – perhaps in an approximate way.</p> <p>Care should be taken that the SCR split into a life and non-life part when derived from the MCR model is used in the context of the MCR calculation, only. Any validation of SCR results using the linear MCR model is inappropriate.</p>	<p><b>Not agreed.</b></p> <p>The comment has some merit. However, the a splitting method based on the SCR model would lead to significant technical complications (including: non-additivity, extension to internal models, burden of calculation, issue of simplifications), which in CEIOPS' view are disproportionate. CEIOPS suggests to test the proposed simple splitting approach in QIS5.</p> <p><b>Noted.</b></p>
214.	Groupe Consultatif	3.71.	<p>The result of a simplistic calculation (MCR) with limited risk sensitivity is used to split the result of a complex, risk sensitive calculation (SCR). The methods for calculating MCR and SCR are inconsistent by their nature. Very likely this split will be quite different when it is explicitly calculated with the SCR (standard or internal) model (applied to the life and non-life part of a composite</p>	<p><b>Not agreed.</b> Please refer to our response to comment 213.</p>

<p style="text-align: center;"><b>Summary of Comments on CEIOPS-CP-55/09</b></p> <p style="text-align: center;"><b>Consultation Paper on the Draft L2 Advice on SCR Standard Formula - MCR calculation</b></p>				CEIOPS-SEC-118/09
			<p>company). We would therefore prefer to derive the SCR split from the SCR model – perhaps in an approximate way.</p> <p>Care should be taken that the SCR split into a life and non-life part when derived from the MCR model is used in the context of the MCR calculation, only. Any validation of SCR results using the linear MCR model is inappropriate.</p>	
215.	KPMG ELLP	3.71.	<p>For composite insurers which have to calculate MCRs separately for Life and Non-Life components, there is a potential issue regarding notional splitting of the SCR.</p> <p>While we recognise the simplicity of the formula to calculate the notional SCR, it assumes the weighting between Life and Non-Life is consistent at the MCR confidence level (85%) and at the SCR confidence level (99.5%). If this assumption is not true, it could materially impact the MCR calculation.</p> <p>See also 3.37 and 3.41</p>	<b>Noted.</b> Please refer to our response to comment 213.
216.	Lloyd’s	3.71.	<p>For composite insurers which have to calculate MCRs separately for Life and Non-Life components, there is a potential issue regarding notional splitting of the SCR.</p> <p>While we recognise the simplicity of the formula to calculate the notional SCR, it assumes the weighting between Life and Non-Life is consistent at the MCR confidence level (85%) and at the SCR confidence level (99.5%). If this assumption is not true, it could materially impact the MCR calculation.</p>	<b>Noted.</b> Please refer to our response to comment 213.
217.	AMICE	3.75.	<p>See our comments to paragraph 3.46</p> <p>Additionally, AMICE believes that this requirement is not consistent with paragraph 3.78. For quarterly calculations, simplifications for SCR calculation could be used.</p>	<b>Noted.</b> <b>Not agreed.</b> The starting point, following Level 1, is that the SCR is an input to the MCR calculation, and that the MCR shall be

<p style="text-align: center;"><b>Summary of Comments on CEIOPS-CP-55/09</b></p> <p style="text-align: center;"><b>Consultation Paper on the Draft L2 Advice on SCR Standard Formula - MCR calculation</b></p>				CEIOPS-SEC-118/09
				calculated quarterly – hence the SCR too. The follow-on paragraphs elaborate the possibility of simplifications.
218.	Association of British Insurers	3.75.	<p>We believe that simplifications should be allowed for in the SCR quarterly calculation. Simplifications for best estimates should be also possible. This will allow for much more timely reporting of the MCR.</p> <p>It is not clear whether all calculations of the MCR should be done to auditable standards. Whilst it is appropriate and proportionate to do this annually if required quarterly it will be an inappropriate burden on firms and will result in the calculations taking more time to produce. It would be more appropriate for the regulator to ask for the numbers to be auditable on a case-by-case basis with the reasons for the decision being disclosed. As an example, because a material new risk has arisen.</p>	<p><b>Not agreed.</b> CEIOPS maintains in principle the conditions for using simplifications in paragraph 3.78.</p> <p><b>Noted.</b></p>
219.			Confidential comment deleted	
220.	CEA, ECO-SLV-09-450	3.75.	<p>The CEA believes that simplifications should be allowed for in the SCR quarterly calculation. Simplifications for best estimates could potentially be also possible.</p> <p>We note that this requirement is not fully in line with the proposal in paragraph 3.118 of CP 56 which states: “undertakings shall calculate the SCR using the internal model at least annually and may calculate the SCR more frequently”.</p>	<p><b>Not agreed.</b> CEIOPS maintains in principle its position in paragraphs 3.77 and 3.78.</p>
221.	CRO Forum	3.75.	<p>The CRO Forum is in favour of a quarterly assessment of the SCR, but with reasonable approximations and to perform a full re-calculation only once a year (except in extraordinary circumstances such as financial difficulty or major changes to the business).</p>	<p><b>Not agreed.</b> CEIOPS maintains in principle its position in paragraphs 3.77 and 3.78.</p>

<p style="text-align: center;"><b>Summary of Comments on CEIOPS-CP-55/09</b></p> <p style="text-align: center;"><b>Consultation Paper on the Draft L2 Advice on SCR Standard Formula - MCR calculation</b></p>				CEIOPS-SEC-118/09
			<p>Where approximations are allowed for standard formula they should also be allowed for undertakings using full/partial internal model.</p> <p>In cases where the risk position has changed fundamentally, the company should have to carry out a regular SCR calculation, notably for the purpose of the MCR.</p>	
222.	DIMA (Dublin International Insurance & Management)	3.75.	<p>[This comment applies to all of section 3.2.7 Quarterly calculation of the corridor, covering paragraphs 3.75 to 3.81]</p> <p>We support the position mentioned in paragraph 3.50, that the corridor for the MCR should always be based on the last reported SCR, bearing in mind that the SCR must be recalculated and reported more frequently than annually if the undertaking's risk profile alters significantly.</p>	<b>Noted.</b>
223.	FFSA	3.75.	<p>CEIOPS says that for the purpose of MCR calculation, the SCR shall be calculated on quarterly basis.</p> <p>FFSA thinks this requirement is inconsistent with §3.78 requirement. For quarterly calculation, FFSA believes simplifications for SCR calculation could be used.</p> <p>FFSA notes that this requirement is also contradictory with the proposition of CP 56 3.118 that states: "undertakings shall calculate the SCR using the internal model at least annually and may calculate the SCR more frequently". We propose that the SCR is calculated on an annual basis, and that a partial, proportionate recalculation is done quarterly for the MCR needs. This recalculation can be based on simplifications justified by the company.</p> <p>FFSA thinks simplifications for Best Estimate should be allowed, as proxies using local GAAP data for instance.</p>	<b>Not agreed.</b> CEIOPS maintains in principle its position in paragraphs 3.77 and 3.78.
224.	German Insurance	3.75.	<p>The GDV believes that simplifications should be allowed for in the SCR quarterly calculation. Simplifications for best estimates could</p>	<b>Not agreed.</b> CEIOPS maintains in principle its position in

<p style="text-align: center;"><b>Summary of Comments on CEIOPS-CP-55/09</b></p> <p style="text-align: center;"><b>Consultation Paper on the Draft L2 Advice on SCR Standard Formula - MCR calculation</b></p>				CEIOPS-SEC-118/09
	Association – Gesamtverb and der D		<p>potentially be also possible.</p> <p>We note that this requirement is not fully in line with the proposal in paragraph 3.118 of CP 56 which states: “undertakings shall calculate the SCR using the internal model at least annually and may calculate the SCR more frequently”.</p>	paragraphs 3.77 and 3.78.
225.	Groupe Consultatif	3.75.	See comment on 3.46.	<b>Noted.</b>
226.	KPMG ELLP	3.75.	<p>We recognise that the quarterly calculation of the MCR is a directive requirement. However we are concerned that the application of the SCR corridor could significantly increase the burden of quarterly calculation and level of reporting of the MCR to the regulator.</p> <p>See also 3.44 and 3.46.</p>	<b>Noted.</b>
227.	Legal & General Group	3.75.	<p>It is not clear from the blue text whether all calculations of MCR should be done to auditable standards. Whilst it is appropriate and proportionate to do this annually, if required quarterly it will be an inappropriate burden on firms and will result in the calculations taking more time to produce. It would be more appropriate for the regulator to ask for the numbers to be auditable on a case by case basis with the reasons for the decision being disclosed e.g. because a material new risk has arisen.</p> <p>Also applies to section 3.76</p>	<b>Noted.</b>
228.	Lloyd’s	3.75.	We recognise that quarterly calculation of the MCR is a Framework Directive requirement. However there is concern about the burden of quarterly calculation and level of reporting of the MCR to the regulator; and the resultant requirement to recalculate the SCR quarterly, even on a simplified basis. (Also covers 3.44 and 3.46).	<b>Noted.</b>
229.	Munich RE	3.75.	Quarterly calculations of MCR, eligible funds and SCR seem to be very onerous.	<b>Noted.</b>

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**Consultation Paper on the Draft L2 Advice on SCR Standard Formula -**  
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230.	RBS Insurance	3.75.	<p>We do not believe that a calculation of the SCR should be triggered for the sole purpose of calculating the MCR, and that simplifications to the SCR are appropriate for this purpose.</p> <p>Further, we believe that timely quarterly calculation of MCR and SCR will only be possible with allowance for simplifications.</p>	<p><b>Not agreed.</b> CEIOPS maintains in principle its position in paragraphs 3.77 and 3.78.</p> <p><b>Noted.</b></p>
231.	ROAM –	3.75.	<p>CEIOPS says that for the purpose of MCR calculation, the SCR shall be calculated on quarterly basis.</p> <p>ROAM thinks this requirement is inconsistent with §3.78 requirement. For quarterly calculation, ROAM believes simplifications for SCR calculation could be used.</p> <p>ROAM proposes that as the SCR is calculated on an annual basis, only a partial, proportionate recalculation of the SCR is done quarterly for the MCR needs. This recalculation can be based on simplifications justified by the company.</p> <p>ROAM thinks simplifications for Best Estimate should be allowed, such as proxies using local GAAP data for instance.</p>	<p><b>Not agreed.</b> CEIOPS maintains in principle its position in paragraphs 3.77 and 3.78.</p>
232.	AMICE	3.76.	<p>CEIOPS states that since the objective of the quarterly MCR calculation is to ascertain whether or not the MCR has been breached, the own funds eligible to cover the MCR should also be calculated in parallel on a quarterly basis.</p> <p>AMICE is of the opinion that, for quarterly calculation of the eligible own funds, simplifications should also be allowed (best estimates for example).</p>	<p><b>Not agreed.</b> Own funds should at all time meet the MCR, which is calculated quarterly.</p>
233.	Association of British Insurers	3.76.	<p>See comments to 3.75.</p>	<p><b>Noted.</b></p>
234.			<p>Confidential comment deleted</p>	



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235.	CRO Forum	3.76.	Further clarity is required on the audit requirements for the calculation of the quarterly MCR, quarterly SCR and own funds eligible to cover the MCR.	<b>Noted.</b> Guidance on this is outside the scope of this advice.
236.	FFSA	3.76.	CEIOPS says since the objective of the quarterly MCR calculation is to ascertain whether or not the MCR has been breached, the own funds eligible to cover the MCR should also be calculated in parallel on a quarterly basis.  FFSA thinks that for quarterly calculation of the own funds eligible, simplifications should be used (best estimates for example).	<b>Not agreed.</b> Own funds should at all times meet the MCR, which is calculated quarterly.
237.	Legal & General Group	3.76.	As per 3.75	<b>Noted.</b>
238.	ROAM –	3.76.	ROAM is of the opinion that for quarterly calculation of the eligible own funds, simplifications should also be allowed (best estimates for example).	<b>Not agreed.</b> Own funds should at all times meet the MCR, which is calculated quarterly.
239.	AMICE	3.77.	CEIOPS writes that when the SCR is calculated using the standard formula, for the quarterly calculation which does not correspond to the year end, undertakings are allowed to use a simplification. Limiting the application of simplifications to undertakings calculating the SCR using the standard formula might deter some entities from using an internal model.  Additionally, the simplification should also consist of a partial recalculation of the linear formula components: SCR, technical provisions, written premium, capital at risk could be omitted from recalculation if there is no significant change. For simplification purposes, local GAAP data should be allowed for re-estimating Best Estimates.	<b>Noted.</b>  <b>Noted.</b>
240.	Association	3.77.	Simplifications should be allowed, since otherwise the timelines for	<b>Not agreed.</b> CEIOPS maintains in

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	of British Insurers		the reporting of the MCR (see also CP58) would not be achievable. Furthermore, the model would calculate statutory capital rather than economic capital and so possibly become the focus of the model, which does not sit well with the use test.	principle its position in paragraphs 3.77 and 3.78.
241.	CEA, ECO-SLV-09-450	3.77.	In the blue boxes, the use of simplification, when internal models are used, is not mentioned.  We suggest also allowing simplifications when using internal models.	<b>Not agreed.</b> The proportionality principle is met in paragraph 3.79.
242.	Centre Technique des Institutions de Prévoyance (C	3.77.	We agree with the objective of simplifying the quarterly calculation of the SCR. When the main risk drivers did not change significantly since the last calculation, the simplified method is to keep the previous SCR amount.	<b>Noted.</b>
243.	CRO Forum	3.77.	To complement our previous comment to §3.75, we fully agree that partial recalculation make sense: <ul style="list-style-type: none"> <li>• On frequency: we suggest some flexibility in allowing undertakings time to transition to more frequent calculation. So, in the meantime when the SCR is not available for inter-annum assessment, we suggest using as a proxy the previous SCR to derive the MCR figure, adjusted for the development of the technical provisions (or premiums as appropriate).</li> <li>• On a specific risk factor: in the case of life underwriting risk we do not believe that there will be severe changes during a year so that quarterly calculations would be absolutely necessary.</li> </ul>	<b>Noted.</b>
244.	German	3.77.	In the blue boxes, the use of simplification, when internal models	<b>Not agreed.</b> The proportionality

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	Insurance Association – Gesamtverb and der D		are used, is not mentioned. We suggest also allowing simplifications when using internal models.	principle is met in paragraph 3.79.
245.	GROUPAMA	3.77.	Simplifications should be allowed for quarterly MCR calculations. Approximations such as the use of local GAAP ratios for Technical provision re-estimation should be allowed. Furthermore, the quarterly re-calculation of SCR should be done only if the supervisor specifically asked for and justified this recalculation, showing clear evidence that the SCR has been significantly modified	<b>Not agreed.</b> CEIOPS maintains in principle its position in paragraphs 3.77 and 3.78.
246.	Munich RE	3.77.	We suggest to also allowing the simplification when using Internal Models. Because we do not see why the simplification of the quarterly calculation of the SCR is only possible when using the standard formula. The partial recalculation makes sense, e.g. in the case of life underwriting risk we do not believe that there will be severe changes during a year so that quarterly calculations would not be necessary. This is not only the case though if you calculate the life underwriting risk with the standard formula but also the same case calculating it via Internal Model.	<b>Not agreed.</b> The proportionality principle is met in paragraph 3.79.
247.	RBS Insurance	3.77.	We strongly agree that simplification should be allowed for the quarterly calculation of SCR using standard formulae or internal model. This is necessary to enable reporting on MCR within the required tight timeline.	<b>Not agreed.</b> CEIOPS maintains in principle its position in paragraphs 3.77 and 3.78. The proportionality principle is met in paragraph 3.79.
248.	ROAM –	3.77.	The simplification could also consist of a partial recalculation of the linear formula components: technical provisions, written premium, capital at risk should not be recalculated in case of no significant change. For simplification purposes, local GAAP data should be	<b>Noted.</b>

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			allowed for re-estimating Best Estimates.	
249.	AMICE	3.78.	Like some CEIOPS' members, we support the idea of a simple carry forward of the last reported SCR, if the use of simplifications is allowed. That should prevent the imposition of an excessive burden on companies.	<b>Noted.</b>
250.	CRO Forum	3.78.	See our previous comments on §3.75 and §3.77.	<b>Noted.</b>
251.	DIMA (Dublin International Insurance & Management	3.78.	If the suggestion in our comment on paragraph 3.75 is not accepted, it will be necessary for CEIOPS to expand very substantially on what it means by "...whose main risk drivers have changed significantly ...".	<b>Noted.</b> Guidance on this is outside the scope of this advice.
252.	FFSA	3.78.	<p>CEIOPS is asking to recalculate SCR sub-modules quarterly if "the risk drivers have changed significantly since the last calculation".</p> <p>FFSA thinks that recalculating the SCR quarterly will be highly burdensome. Furthermore, the phrase "if risk drivers have changed significantly" is very subjective and may lead to different interpretation for the same cases. FFSA thinks that the SCR should not be recalculated quarterly except if the supervisor is specifically asking it to the undertaking.</p> <p>FFSA would really like to ensure that a full quarterly recalculation of the SCR (without simplification) is only required in very exceptional circumstances. FFSA thinks the circumstances under which a change in the risk profile of an undertaking will be considered as "significant" should be further detailed and in such a way that this will only apply to really major changes in risk profiles (leaving no room for a full recalculation to be required without sufficient ground)</p> <p>It seems the proposition for quarterly simplification is limited to companies using the standard formula. FFSA understood that one</p>	<p><b>Not agreed.</b> CEIOPS maintains in principle its position in paragraphs 3.77 and 3.78.</p> <p><b>Noted.</b> Guidance on this is outside the scope of this advice.</p> <p><b>Not agreed.</b> The proportionality</p>

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			<p>goal of Solvency 2 was to promote internal models. Yet this proposition promotes standard formula. Moreover it is contradictory with CP 56 3.118 that states that "undertakings shall calculate the SCR using the internal model at least annually and may calculate the SCR more frequently".</p> <p>As the MCR calculation depends on the technical provision, FFSA thinks that, under the same circumstances that allow the company not to calculate fully the SCR, it will not be required to recalculate fully the best estimate. FFSA suggests simplifications for the quarterly calculation of technical provisions: for example, by adding premiums and claims to the best estimate calculated last year and taking into account an adjustment for unrealized gains or losses transferred to policyholders.</p>	<p>principle is met in paragraph 3.79.</p> <p><b>Noted.</b></p>
253.	GROUPAMA	3.78.	As a minority of CEIOPS' members we support the idea of a simple carry forward of the last reported SCR, in case of allowance to use simplification. That should allow an excessive burden of recalculation each quarter.	<b>Noted.</b>
254.	RBS Insurance	3.78.	We agree with this advice and welcome simplifications proposed.	<b>Noted.</b>
255.	ROAM –	3.78.	As the MCR calculation depends on the technical provision, ROAM thinks that, under the same circumstances that allow the company not to calculate fully the SCR, it will not be required to recalculate fully the best estimate. ROAM suggests simplifications for the quarterly calculation of technical provisions: for example, by adding premiums and claims to the best estimate calculated last year and taking into account an adjustment for unrealized gains or losses transferred to policyholders.	<b>Noted.</b>
256.	AMICE	3.79.	The last reported eligible basic own funds items classified as Tier 1 and Tier 2 should be allowed.	<b>Noted.</b>

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257.	Association of British Insurers	3.79.	<p>Point a, which disallows simplifications of the last reported SCR in case of a significant change in the risk profile, does not seem consistent to paragraph 3.78 which allows partial recalculation of the last reported SCR for those modules where the risk drivers have changed significantly.</p> <p>The condition of eligible Tier 1 and Tier 2 basic own funds covering at least 200 % of MCR leads to burdensome and inappropriate calculations, if the undertaking has not breached the SCR.</p> <p>We think that 3.79.b.iii should be removed.</p>	<p><b>Not agreed.</b> CEIOPS maintains in principle its position in paragraphs 3.77 and 3.78.</p> <p><b>Partially agreed.</b> See revised text. The cap on the MCR and the own fund limits ensure that this requirements does not apply to companies that have not breached the MCR.</p>
258.	Association of Run-Off Companies	3.79.	<p>Simplifications are not allowed if a company has breached the MCR. Does this mean that a run-off company is required to perform additional SCR calculations at a cost to policyholder returns? See recommendation to 3.49 above.</p>	<p>The advice includes no specific conditions for run-off companies.</p>
259.	CEA, ECO-SLV-09-450	3.79.	<p>Point a, which disallows simplifications=partial recalculation of the last reported SCR in case of significant change in the risk profile, doesn't seem consistent to paragraph 3.78 which allows partial recalculation of the last reported SCR for those modules where the risk drivers have changed significantly.</p> <p>The condition of eligible Tier 1 and Tier 2 basic own funds covering at least 200 % of MCR leads to burdensome and inappropriate calculations, if the undertaking has not breached the SCR.</p> <p>We think that 3.79.b.iii should be removed.</p>	<p><b>Not agreed.</b> CEIOPS maintains in principle its position in paragraphs 3.77 and 3.78.</p> <p><b>Partially agreed.</b> Please refer to our response to comment 260.</p>
260.	CRO Forum	3.79.	<p>In our view, the criteria 3.79 b. iii. (the undertaking does not hold eligible Tier1 and Tier2 basic own funds covering at least 200% of the MCR, without taking into account the absolute floor) is far more prudent than the one outlined in the level 1 text and without any justification. We propose to revise this third criterion to reflect the</p>	<p><b>Partially agreed.</b> See revised text. CEIOPS' view is that there is a need for full legal certainty in the proximity of an MCR breach. However a lower threshold is</p>

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			requirements are set out in the level 1 text.	suggested in view of stakeholder feedback.
261.	FFSA	3.79.	<p>CEIOPS states that no simplifications for the quarterly calculation of the SCR are allowed in some specific cases</p> <p>FFSA thinks point 3.79.b.iii should be removed: there could be circumstances where this would require a full recalculation for entities which have not breached their SCR, which would seem excessive.</p>	<b>Partially agreed.</b> Please refer to our response to comment 260.
262.	German Insurance Association – Gesamtverb and der D	3.79.	<p>Point a, which disallows simplifications=partial recalculation of the last reported SCR in case of significant change in the risk profile, doesn't seem consistent to paragraph 3.78 which allows partial recalculation of the last reported SCR for those modules where the risk drivers have changed significantly.</p> <p>The condition of eligible Tier 1 and Tier 2 basic own funds covering at least 200 % of MCR leads to burdensome and inappropriate calculations, if the undertaking has not breached the SCR.</p> <p>We think that 3.79.b.iii should be removed.</p>	<p><b>Not agreed.</b> CEIOPS maintains in principle its position in paragraphs 3.77 and 3.78.</p> <p><b>Partially agreed.</b> Please refer to our response to comment 260.</p>
263.	Groupe Consultatif	3.79.	In our view, the criteria 3.79 b. iii. (the undertaking does not hold eligible Tier1 and Tier2 basic own funds covering at least 200% of the MCR, without taking into account the absolute floor) needs a justification.	<b>Partially agreed.</b> Please refer to our response to comment 260.
264.	RBS Insurance	3.79.	We agree that no simplifications should be allowed when there are significant changes in risk profile or the undertaking has breached MCR or SCR. However, we do not agree with the condition of eligible Tier 1 and Tier 2 basic own funds covering at least 200 % of MCR, without taking into account the absolute floor. In our opinion, this calculation would be appropriate if the undertaking has breached the SCR. to.	<b>Partially agreed.</b> Please refer to our response to comment 260.

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265.	Uniq	3.79.	Point (a) seems to be contradictory to 3.78	<b>Not agreed.</b>
266.	DIMA (Dublin International Insurance & Management	3.80.	If the suggestion in our comment on paragraph 3.75 is not accepted, it will be necessary for CEIOPS to expand very substantially on what it means by "...shall apply a quarterly calculation that is sufficiently sophisticated...".	<b>Noted.</b> The guidance on this is outside the scope of this advice.
267.	KPMG ELLP	3.80.	See 3.52	<b>Noted.</b>
268.	Lloyd's	3.80.	<p>There is strong merit in allowing the last (year end) SCR to be used as a proxy to establish the corridor against which the quarterly MCR calculations may be assessed on the grounds of proportionality. This would not apply where the undertaking has subsequently had to recalculate the SCR due to a material change in the undertaking's risk profile.</p> <p>As regards proportionality, requirement for the quarterly SCR calculation to be "sufficiently sophisticated" should not be too complicated in practice as this is likely to incur disproportionate additional resource and costs. Undertakings which have experienced a significant change in risk profile will know about it and will recalculate on a more rigorous basis in any case. (Also covers 3.52 and 3.78).</p> <p>Further guidance on what "sufficiently sophisticated" means would be useful.</p>	<p><b>Noted.</b></p> <p><b>Noted.</b></p> <p><b>Noted.</b> Guidance on this is outside the scope of this advice.</p>