

**Comments Template on
CP8 -Draft proposal for Guidelines on ORSA
Response from ILAG – UK Life Insurance and Investment trade body**

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

Name of Company:	ILAG	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ Do not change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool ⇒ Leave the last column <u>empty</u>. ⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph or a cell, keep the row <u>empty</u>. ⇒ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. <p>Please send the completed template, in Word Format, to cp008@eiopa.europa.eu. Our IT tool does not allow processing of any other formats.</p> <p>The numbering of the paragraphs refers to Consultation Paper 008.</p>		
Reference	Comment	
General Comment	<p>ILAG is a trade body representing members from the Life Assurance and Wealth Management industries in the UK.</p> <p>ILAG members share and develop their practical experiences and expertise, applying this practitioner knowledge to the development of their businesses, both individually and collectively, for the benefit of members and their customers.</p> <p>ILAG members include:</p> <p>AXA Wealth</p>	<p>Met Life UK</p>

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<p>Barclays Wealth Barnett Waddingham Canada Life Limited Capita Life and Pensions Services Co-operative Financial Services Defaqto Deloitte LLP Ecclesiastical Insurance Group Ernst & Young Family Investments Fil Life Insurance Limited Friends Life General Reinsurance (London Branch) Hannover Life Re (UK) Ltd HSBC Bank Plc Just Retirement Limited HCL Insurance BPO Services Limited KPMG Logica London & Colonial Assurance PLC LV= Milliman</p> <p>Associate Members AKG Actuaries and Consultants Ltd Steve Dixon Consultants and Actuaries McCurrach Financial Services Meteor Asset Management NMG Financial Services Consulting Limited State Street Investor Services</p>	<p>Metropolitan Police Friendly Society Ltd MGM Advantage Mazars Oxford Actuaries and Consultants plc Pacific Life Re Partnership Assurance Phoenix Group Pinsent Masons PricewaterhouseCoopers Reliance Mutual RGA Royal London Group Sanlam Life & Pensions SCOR Global UK Limited. Skandia UK Suffolk Life Sun Life Assurance Company of Canada Swiss Re Europe SA (UK Branch) The Children’s Mutual Towers Watson Wesleyan Assurance Society Zurich</p>
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	<p>ILAG welcomes the opportunity to respond to this consultation, and our comments on the specific questions within the proposed draft guidance are set out below.</p> <p>Broadly, we are in agreement with the aims and the tone of the CP. Our major concern is whether EIOPA will be able to ensure national supervisors will allow for proportionality in their treatment of smaller insurers.</p>	
3.1.		
3.2.	We have concerns that supervisors will develop their own view of acceptable allowances for risk and then seek to impose them through the ORSA monitoring process.	
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3.8.	<p>We have some concerns that supervisors will use this risk assessment to push firms into using an internal model when the firm is not of the scale or sophistication where an internal model is of any material benefit in risk management.</p> <p>We do agree in principle with the statement, but would question whether a materiality caveat is required, although this is implied by 3.28.</p>	
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3.15.	We agree whole-heartedly with the principle of proportionality.	
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3.17.	We suggest that documentation should also be proportionate. A large firm with 100000 employees scattered over 7 countries will require more formal and longer documentation than a firm employing 5 staff members only being present in 1 niche market.	
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3.28.	We agree strongly with this requirement especially the use of the word 'material'.	
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3.30.	We suggest that this guideline is changed to say that ' All parts of the ORSA must be reviewed annually '. The ORSA is not an individual report but is, instead, a risk management process made up of a number of elements.	
3.31.		
3.32.		
3.33.	We suggest that the report to the supervisors should be made up of the total documentation around the ORSA and not a single report. However, a single report could be prepared but this would refer to a series of analyses carried out through the extensive use of appendices.	
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4.6.	We agree with this paragraph strongly	
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4.25.	<p>We would suggest that it must be up to the Supervisor to show that the standard formulae is not appropriate as an amount of capital for the firm. Most firms within the EU should be capable of using the standard formulae to generate an amount of immediate capital requirements that are adequate. If not, the standard formulae needs recalibration.</p> <p>Smaller firms may not have sufficient resources to ‘demonstrate’ that the standard formulae is appropriate. However, we note that 5.43 states that most of this demonstration should be qualitative rather than quantitative in the first instance.</p>	
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4.52.	This could be an extensive process for a smaller insurer unless EIOPA give a full and detailed analysis of the work carried out to set the standard formulae. Most firms will align themselves with the 1:200 over 1 year risk profile. We need to see the documentation that EIOPA will provide here to allow us to judge whether this requirement is reasonable for a smaller (or even medium sized) firm. Again, 5.42 states that this work should be qualitative rather than quantitative.	
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5.30.	Smaller operations tend not to operate their capital as 'efficiently' as large operations. This means they tend to have proportionately more in tier 1 capital.	
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5.43.	We would agree with the statement that a qualitative assessment should be carried out first.	
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Q1.	Yes although some of the detail will only become apparent when supervisors start to interpret the guidelines in their own way and force firms to follow their interpretation.	
Q2.	No	
Q3.	No	
Q4.	The ORSA report will need to include all aspects of the ORSA process. We believe that this will be best attempted as a series of reports on each element of the process with a summary of a few pages tying the results together. We do not believe that firms should spend a lot of time coming	

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	up with bespoke 100 page reports only for the supervisor of their ORSA process.	
Q5.		
Q6.		
Q7.		
Q8.	We believe that stronger guidelines backing the statements that the ORSA need not be a detailed internal model in itself would be helpful. We note that principle 1 on proportionality is helpful but would suggest that some of the remainder of the guidelines do not make the proportionality requirement clear. A clearer statement saying that proportionality applies to all the guidelines may be of help.	
Q9.	UK firms will need to report on compliance with risk management within their published accounts. We believe the detailed report should be between the supervisor and the firm.	