

In response to the consultation paper we would comment as follows:

Q1. What, if any, other areas should be covered in the Guidelines or in future guidance?

Whilst noting that the proposed governance does make reference to and acknowledges interlinkages with the existing enterprise risk management tools and continuity planning, more guidance as to the extent that this can be relied upon so as to avoid unnecessary duplication of work would be of benefit. In this regard and as it stands there is a slight concern over the potential duplication of work and the amount of resource that would be required to fulfil the requirements within the proposed regulation and guidelines. This could be of particular relevance to smaller and low impact firms who could have difficulties in accommodating this additional layer of analysis, monitoring and reporting without employing further resource to meet the requirement.

It is acknowledged that an objective of the ORSA is to prevent the insurer breaching solvency capital requirements, however the stress and reverse stress testing exercises can and often do consider a wider range of causes that might ultimately lead to failure and can include operational and industry specific scenarios. Within existing risk management frameworks the business will have in place systems and processes to monitor and report on emerging risks that could impact on the viability of the business.

In addition through risk reporting and the use of a risk register pre-emptive recovery planning can and does take place as there will be risk (early warning) indicators and triggers in key areas of the business such as underwriting, market, and operations. If these early warning indicators are exceeded they would provide timely management information to the risk management committees and board. This would allow them to consider appropriate remedial action to address the situation and ensure the ongoing viability of the business and in doing so prevent the business entering a 'recovery position' as defined by Solvency II. With this already embedded within the existing risk management framework is there likely to be a high level of duplication of areas covered in the existing risk management framework and a documented pre-emptive recovery plan?

Q2. Are there any areas where the application of proportionality can be improved or clarified?

In respect of the application of proportionality, is it necessary in every case to have a recovery plan? Is there scope to request a review on a case by case basis? Giving particular focus around the systemic importance of the insurer.

Or maybe there could be scope for a 'lighter touch' approach for insurers of low impact and being of low systemic importance where a full recovery plan covering all sections of the requirements is not required with the insurer being asked to provide a written evaluation of its specific risks and options in a stressed situation.

In addition could some consideration be applied to the periodicity of the review process. Does it need to be annual in instances where there is little change in the structure of the firm or the economic environment in which it operates?

Regards

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