

Comments Template on CEIOPS-CP 81		Deadline 13.08.2010 17.30 CET
Equivalence assessments to be undertaken in relation to Articles 172, 227 and 260 of the Solvency II Directive		
Name of Company:	Group of North American Insurance Enterprises (GNAIE)	
Disclosure comments:	of CEIOPS will make all comments available on its website, except where respondents specifically request that their comments remain confidential. Please indicate if your comments should be treated as confidential:	Confidential/Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ Do not <u>change the numbering</u> in the column "reference". ⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph, keep the row <u>empty</u>. ⇒ Our IT tool does not allow processing of comments which do not refer to the specific paragraph numbers below. <ul style="list-style-type: none"> ○ If your comment refers to multiple paragraphs, please insert your comment at the first relevant paragraph and mention in your comment to which other paragraphs this also applies. ○ If your comment refers to sub bullets/subparagraphs, please indicate this in the comment itself. <p>Please send the completed template, in Word Format, to secretariat@ceiops.eu. Our IT tool does not allow processing of any other formats.</p> <p>The numbering of the paragraphs refers to Consultation Paper No. 81 (CEIOPS-CP-81/10).</p>		
Reference	Comment	
General Comment	GNAIE greatly appreciates the opportunity to comment on CEIOPS' draft advice on the first wave for assessment of regulatory equivalence. GNAIE represents large international reinsurers, life and non-life insurers. A number of our members either write substantial business in the European Union or are	

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affiliated with EU-based companies. We urge CEIOPS and the European Commission to keep the following principles in mind in evaluating equivalence.

1. The assessment should not require uniformity with Solvency II, but rather whether the other regime properly protects the policyholders within its jurisdiction.
2. The equivalence assessment should be based upon outcomes of regulation (the relative success of the regulatory regime under assessment in protecting policyholders) rather than whether particular regulatory provisions are identical.
3. The assessment should not require that all objectives are "fully observed". As long as there is general observance of most of the objectives and the jurisdiction under review attains similar outcomes, a finding of equivalence should be made.
4. The assessment should include recognition of current developments in the third country's supervisory system, including proposed improvements which have been adopted but not implemented. CEIOPS should bear in mind that Solvency II itself is not yet implemented.

We believe that delays in equivalence consideration could result in harm to certain markets and jurisdictions. As a result, a transitional process should be considered for granting temporary equivalence status to jurisdictions which meet international standards, such as having an equivalent accounting system as judged by the EU, being a signatory of the IAIS MMOU, and having a successful rating from the IMF on an FSAP, and demonstrate the existence of an efficient regulatory framework.

We are additionally concerned about the overall level of regulatory changes being implemented regarding insurance including international accounting standards, solvency systems, and financial stability requirements. For this reason, the Solvency II should include transition provisions, where they make sense, and for jurisdictions in which the level of policyholder protection is clear.

We support an international regulatory framework that is cooperative, efficient, avoids duplicative and inconsistent regulation, and allows access to markets in a fair and consistent manner.

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1.		
1.1.		
1.2.		
1.3.	<p>We believe that it is important to consider not only the supervisory system in place in a regime but new measures which are being taken to improve the system, even if the implementation of those changes is not complete. Since Solvency II itself is still two years from full implementation, its recognizing such developments in other jurisdictions would parallel the process in Europe.</p> <p>We agree that the materiality is a major factor in prioritizing the list of jurisdictions for the first wave of equivalence decisions.</p>	
1.4.		
1.5.	We support consideration of transitional measures to avoid market disruptions both in the EU and abroad.	
1.6.		
1.7.		
2.		
2.1.		
2.1.1.		
2.1.2.	The reference in this section should be to "risk-based" regimes. It is not clear what "fully risk-based" means. We suggest deleting the term "fully."	
2.1.3.	The assessment of a third country's supervisory regime should not require uniformity with Solvency II, but rather whether the other regime properly protects the policyholders within its jurisdiction. The equivalence assessment should be based upon the outcomes of regulation (the relative success of the regulatory regime under assessment in protecting policyholders) rather than whether particular	

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	regulatory provisions are identical to Solvency II.	
2.1.4.	Again, recognizing that GNAIE supports an outcomes based evaluation, it does seem to defeat the purpose of evaluating equivalence if snap judgements are made "on first sight."	
2.1.5.		
2.1.6.	We support the use of IMF evaluations, here available, as an efficient and reliable way to eliminate duplication of effort and streamline the process where possible given CEIOPS concern with limited resources.	
2.1.7.	We support materiality as a very substantial factor in selecting first wave countries.	
2.1.8.	We believe that the number of related undertakings situated in third countries would dictate that the US be considered in the first wave or that transitional arrangements be put in place. We believe that the NAIC has developed, implemented, and monitored a uniform solvency system in the US which we believe has a record of effective supervision. The US system should be evaluated as a whole rather than on a state by state basis which does not reflect the uniform and coordinated nature of solvency regulation in the US.	
2.1.9.		
2.1.10.		
2.1.11.		
2.1.12.		
2.1.13.	We would support the recognition of existing mutual recognition and equivalence agreements in the evaluation process, again seeing this as an efficient use of resources.	
2.1.14.		
2.1.15.	We agree with the conclusion that the first two factors are most important of the five mentioned by the Commission, however, we believe that the risk focused nature of a countries regime should be evaluated based on outcomes.	

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2.2.		
2.2.1.		
2.2.2.		
2.2.3.	Care should be taken not to prejudge the likelihood of an equivalent valuation.	
2.2.4.	Because of potential market place disruptions, we believe CEIOPS and the Commission must either develop a transitional process or provide adequate resources for assessments. We do not believe that decisions should be based on the resource limitations alone.	
2.2.5.	We support outcomes based evaluations, but we do agree that recognition of developments being under taken in a regime should be considered.	
2.2.6.		
2.3.		
2.3.1.	The day to day supervision of insurance in the EU will also remain an issue of individual European Member States. We do not think state-based implementation of nationally set rules is a critical factor in assessing the US system which is nationally developed and compliance assessed.	
2.3.2.	CEIOPs itself is also at the moment a supervisory authority in its own right, yet the Commission recognises its important role. Both the US and European regulatory systems are emerging and previous conclusions should be re-examined.	
2.3.3.	CEIOPS itself is struggling with the assessment of the practices in each Member State. The NAIC does have an assessment program in place as referenced later in the paper. This is a tested system, and although is being reviewed for improvements, will be a much better tool for CEIOPS to use than a review of individual states by individual group supervisors. We urge the US to be considered as a whole, rather than leaving the evaluation to group supervisors on a state by state basis.	
2.3.4.	We support, as mentioned earlier, reliance on FSAP reviews as part of the evaluation process. Regarding group supervision, neither the EU, the US, nor many other jurisdictions, have complete group supervision systems in place. For this reason this would seem to be an area in which transitional	

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	arrangements would be important. The regulatory burdens on US companies doing business in Europe as not fully understood at this point, but could be considerable. It is important that at a time which the international supervisory community is still assessing the scope of group supervision and the tools to be used that the two largest insurance markets should find a way to focus on coordination in this area . The US system does have in place some elements of group supervision and the EU Member States are committed to developing these systems, although many Member States do not currently exercise group supervision. A transitional arrangement whereby the EU and US accepted the efforts of each other would be more effective in advancing the overall goal of group supervision globally.	
2.3.5.	The US industry shares concerns about exchange of information and has urged the NAIC to address these issues.	
2.3.6.	With the recent creation of the Federal Insurance Office, we think these issues can be addressed.	
2.3.7.		
3.		
3.1.		
3.1.1.		
3.1.2.		
3.1.3.		
3.2.		
3.2.1.		
3.2.2.		
3.2.3.	GNAIE is an association of North American base companies, many of which are active in Europe. We agree that Bermuda and the US reinsurance are important market place participants in Europe and as such should be considered for first wave assessment.	
3.2.4.		

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3.2.5.		
3.3.		
3.3.1.		
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4.2.1.		
4.2.2.		
4.2.3.		
4.3.		
4.3.1.		
4.3.2.	GNAIE is an association of North American base companies, many of which are active in Europe. We agree that Bermuda and the US reinsurance are important market place participants in Europe and as such should be considered for first wave assessment.	

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4.3.3.	We believe that for major market player a single equivalence valuation by the Commission will be more reliable and efficient than evaluations by individual European group supervisors.	
4.3.4.	CEIOPS action on equivalence will make better use of CEIOPS limited resources than policing its members' decisions on individual countries.	
4.3.5.		
5.		
5.1.		
5.1.1.		
5.1.2.		
5.1.3.	We support efforts to reduce the regulatory burden and inefficiencies of duplicate regulation through cooperation of supervisors.	
5.2.		
5.2.1.		
5.2.2.		
5.3.		
5.3.1.		
5.3.2.	We agree that Bermuda is moving forward with a group supervisory regime and should be included in the first wave of equivalence assessments for all three types of equivalence. We also agree with the IMF that the US will address group supervision through the Solvency Modernization Process. Some of those changes are near completion. We reiterate our comments in 2.3.4	
5.3.3.	See our comments on 4.3.3	
5.3.4.		

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6.		
6.1.1.		
6.1.2.	GNAIE supports the development of a transitional provision to avoid market disruptions, duplication of regulation and improvement in overall global regulatory standards. We believe this transition should apply to all three levels of equivalence, not just Article 172.	
6.1.3.	We agree that Bermuda should be included in the first wave of equivalence assessments for all three types of equivalence. We further believe that the US should be included in the first wave or transitional provisions should be developed to allow more time for CEIOPS to complete its evaluation of the US system.	
6.1.4.		
A.1.		
A.1.1.	We agree that the NAIC's accreditation system could be a valuable resource. Again, we urge that any evaluation of the US be done on a country-wide basis rather than state by state.	
A.1.2.		
A.1.3.		