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Solvency II
How to conduct the ORSA
Requirements, EIOPA responses and Industry views

Financial Services Industry
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Content Table

3 Foreword

5 ORSA – overall considerations

6 ORSA – key components, requirements and market views

10 Annex – Summary of modifications to CP-11/008

Sources:
EIOPA Final Report on Public Consultation No. 11/008 On the Proposal for Guidelines On Own Risk and Solvency Assessment (EIOPA-258/12 09 July 2012)

Foreword

At the heart of Solvency II is the need for closely integrated risk and capital management. Whilst the Own Risk and Solvency Assessment (ORSA) has been seen as a key mechanism through which to achieve this, the ORSA is not prominent in the draft level 2 implementing measures and level 3 guidelines were not released for a long period after the initial CEIOPS issues paper in 2008. ORSA has therefore been seen as an important yet enigmatic area of Solvency II.

In CEIOPS' issue paper in 2008, some key characteristics of ORSA were highlighted:

- ORSA is a process – the ORSA is not implemented and fulfilled by a report in a specific format or by filling in templates,
- ORSA is company specific – there cannot be a one-size-fits-all approach to the ORSA. Furthermore the principle of proportionality needs to be taken into account,
- ORSA is forward looking – whereas the Pillar I SCR considers a 1 year time horizon, the time horizon of the ORSA should correspond to the company's business planning horizon,
- ORSA includes the identification and assessment of all risks, not only risks included in the calculation of the SCR;

The highly principles based guidance, subject to various interpretations and request for further clarification, has now been complemented with the outcome of EIOPA's Public Consultation on the Level 3 guidance for the ORSA (*). The feedback statement, with EIOPA's opinion on the main comments received during the Public Consultation, has brought additional details on the purpose of the ORSA and how to conduct the ORSA. This paper summarises the key changes adopted by EIOPA in the final guidelines.

The key responses from EIOPA through the final guidelines are:

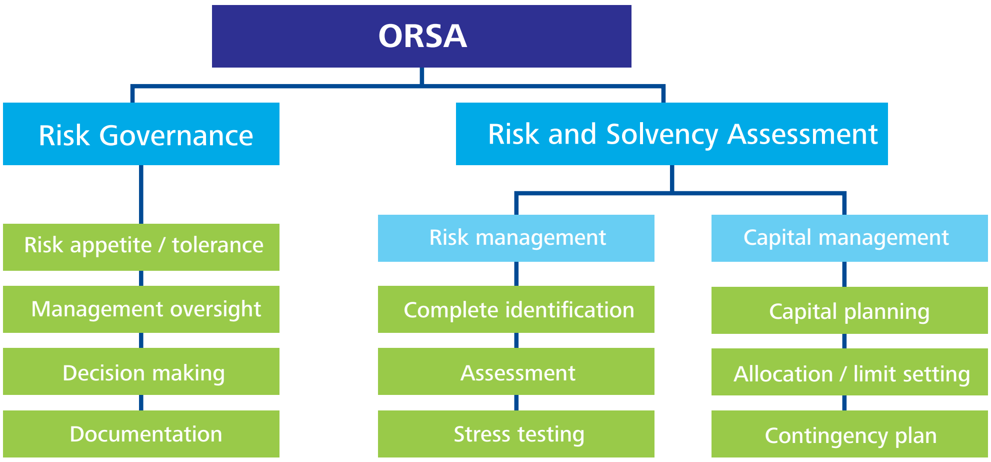
- Clarification of the required documentation, for solo undertakings and for groups, explicitly stating that the record of an individual ORSA does not mean that new documentation has to be produced specifically for the purpose of the ORSA. Also that the internal report and the supervisory report does not need to be split out into separate documents;
- The reference date of the ORSA may differ from the date of calculation of the SCR if the risk profile has not changed significantly between the two dates;
- No additional guidance will be provided on proportionality and materiality;
- Continued emphasis on the role of the Administrative Management or Supervisory Body (AMSB) in relation to the performance of the ORSA, steering and challenging the results;
- The prospective view is changed from the initial consultation. The capital requirement is assessed against a total requirement on the full planning horizon (and not limited to an annual requirement for all years of projections);
- Undertakings should strive for a quantifiable assessment of all risks even those that are not capital quantifiable. Just having a qualitative assessment of risk because quantification is difficult is not acceptable. This does not necessarily call for a complex approach as long as some form of magnitude is assessed and this may be within a range; and
- New paragraphs introduced for Groups who employ an Internal Model. The focus of these new paragraphs emphasize that the Group should understand and document the reasons why certain entities are not included in the Group model and the impact this has had on Group solvency.

(*) A proposed draft of the level 3 guidelines on the ORSA was released for consultation in November 2011 and has now been updated to reflect industry comments. See EIOPA Final Report on Public Consultation No. 11/008 On the Proposal for Guidelines On Own Risk and Solvency Assessment (EIOPA-258/12 09 July 2012)

In the light of a Solvency II implementation by 2014, EIOPA "*acknowledges that the effective transition to the Solvency II regime and in particular compliance with the ORSA requirements from day one requires that early preparations are made for implementation*".

Though the updated guidelines can still be subject to modifications, it is important to note that EIOPA encourages insurance undertakings to use the current version of the guidelines to support the design and implementation of their ORSA.

To help you understand the latest ORSA guiding principles, Deloitte has summarized the key characteristics of the ORSA in its proven framework. While no formal structure of the ORSA is defined, Deloitte's ORSA framework provides a way in which to categorise the key components of the ORSA.



We believe that the latest clarifications presented in this report will provide you with useful information to prepare for your ORSA.

Yours sincerely,

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ORSA – overall considerations

EIOPA will not give further specification on the principle of proportionality, nor materiality

Though a number of insurers request more explanations as to where and how the proportionality principle will apply in practice, EIOPA expect that "*undertakings have the necessary competence and expertise to find fit-for-purpose solutions for the practical challenges they face. The application of the proportionality principle in practice must be determined on a case-by-case basis*". Although the ORSA is in essence a management tool, not a supervisory tool, a supervisory authority will intervene if it does not consider the process to be proportionate.

Some insurers requested that further clarification on materiality should be provided. As per the stance on proportionality, EIOPA has outlined that it is up to each individual insurer, when requested, "*to justify to the supervisory authority why the approach taken is proportionate or why certain information or risks are considered immaterial*".

Consider proportionality not (only) in terms of size, but in view of the risk profile. This is supported by EIOPA's view that ORSA guidance does not need a specific approach for captives, mutuals, mono-line undertakings, etc. but that "*any undertaking may benefit from proportionality where this is warranted in view of the nature, scale and complexity of the risks they face*".

Insurers may decide when to perform an ORSA, however there should be consideration between the timing of the ORSA and the timing of the SCR calculation.

The connection between the timing of the ORSA and the SCR relates to the requirement to assess whether the risk profile deviates from the assumptions underlying the SCR calculation. EIOPA suggests that the significance of the deviation is to be determined by the expected impact on the SCR if the deviation were taken into account in the SCR calculation.

EIOPA agrees with Deloitte's comment that the wording «the risk profile as established for the ORSA and as part of the SCR are to be considered at the same moment in time» is vague and that in essence "*the risk profile of the undertaking as established for the ORSA and as part of the SCR calculation are based on the same reference date*". Consideration should also be given to the timing of the strategic planning process as the ORSA should be an integral part of strategic planning.

EIOPA also acknowledges that "*it should be possible to have different reference dates for the SCR calculation and the ORSA, provided that there have been no material changes in the risk profile in the meantime*".

The group ORSA should reflect the nature of the group structure and its risk profile

All of the entities subject to the group supervision should be included in the group ORSA. This includes both (re)insurance and non-(re)insurance undertakings, both regulated and non-regulated (unregulated) entities, situated in the EEA and outside the EEA. EIOPA specifies that the group is not limited to that scope and that the scope can be extended according how the group views itself.

The general rules for the group ORSA's forward-looking perspective, explicitly state that the record of the group ORSA should include:

1 identification of the sources of own funds within the group if additional new own funds are necessary;
2 the assessment of availability, transferability and fungibility of own funds;
3 references to any planned transfer of own funds within the group and its consequences;
4 alignment of individual strategies with those that are established at the level of the group; and
5 specific risks the group could be exposed to.

ORSA – key components, requirements and market views
1. Risk Governance

Risk appetite / tolerance

Risk Appetite is an important aspect of the ORSA. Though EIOPA refers to the term "risk tolerance limit" instead of the risk appetite, EIOPA agrees that, next to the risk profile and the business strategy, it is a key aspect to be taken into account for the purpose of the assessment of the overall solvency needs.

EIOPA clarifies that “approved risk tolerance limits” covers all risk tolerance limits whether they are quantitative or qualitative.

The concept of risk appetite has increasingly been moving up the regulatory agenda, but current regulatory guidelines remain thin. While the concept of a risk appetite is intuitively simple, in practice it has proven to be a complex matter to implement – while opinions also diverge on precisely what an effective appetite framework should look like and do - and the risk appetite framework is at many insurers still very much a work in progress.

One of the challenges is to develop specific risk metrics that are translated into a clear definition of actionable guidance to foster sound decision-making. Limits established on ‘expert knowledge’ only can lead to inconsistency and might be disconnected to strategy. This may lead to a disparity between the risks that a firm takes and those that the AMSB perceives the firm to be taking.

The Directive and associated guidelines require the ORSA to be performed at an (re)insurance entity level as well as at the level of the Group. However, not all businesses are running their organization’s explicitly by entity, some firms express their appetite for risk either at a more aggregated level (e.g. regional) or more granular level (e.g. product or sub-fund). The movement to an entity level assessment will require some firms to understand and set their appetite for risk as it applies at this level.

Management oversight

ORSA enhances the roles and responsibilities of the administrative, management or supervisory body (AMSB), such as the responsibility to approve the ORSA Policy and the responsibility to guide how the ORSA is to be performed and challenge its results.

EIOPA specifies that, consequently, an AMSB should have the necessary qualifications, expertise and knowledge about the undertaking to ensure a sound and prudent management of the undertaking.

Most organisations are defining their AMSB as the Board of each (re)insurance entity as well as the Group Board. Most firms agree upon the importance of the AMSB understanding the impact of the risk and solvency implications of strategic decisions, however, many firms are finding it a cultural challenge to get the Board to actively steer the performance of the ORSA. Logistically, organisations are currently struggling to secure the required time to fully engage Boards to the level of detail required to steer the performance of the ORSA with wider SII pressures (e.g. IMAP) constraining Board(s) capacity.

Decision making

As stated in Article 45(4) of the Directive, the ORSA is an integral part of the business strategy and shall be taken into account in the strategic decisions of the undertaking. Following the management oversight role of the AMSB, ultimately the AMSB is responsible to decide “*what actions would be taken if certain risks, with a major effect on the undertaking, were to materialize*”.

Furthermore, as specified in CP11/008, the results of the ORSA and the insights gained in the process need to be taken into account “*at least for the system of governance including medium term capital management, business planning and product development and design*”.

Most organisations have identified the clear linkage between the ORSA and the strategic planning process. The timing of the performance of the ORSA, including when key conclusions should be drawn from this, have been influenced by the timing of the planning process. As mentioned above, one challenge is that not all organisations perform strategic decision making at the (re)insurane entity level and as such are finding that the planning process may need to be augmented to align ORSA conclusions to decision making.

Documentation

In general, the ORSA guidelines were seen as being too prescriptive, imposing too many detailed and specific requirements. In response to the comments received, EIOPA made some clarifications regarding the ORSA Policy, the documentation, the internal report and the supervisory report

The ORSA Policy is subject to approval by the AMSB
An ORSA Policy is required to ensure that the complexity of a company-wide ORSA process is well governed. EIOPA does not intend to issue a Policy template, though expects to include elementary information such "*the roles and responsibilities, a high-level description of the processes and procedures, and certain qualitative requirements to ensure that the ORSA provides appropriate results and meets its core objectives*", approved by the AMSB.
EIOPA specifies that the ORSA Policy can be a separate policy or can be part of the risk management policy. The majority of organisations have written their ORSA requirements into a standard or framework document that refers to, but is separate to, the risk management policy. Generally, this document has been approved by a senior management committee, however, in some cases, this has been a Board Risk Committee or equivalent rather than the full administrative management or supervisory body (AMSB). Under the Solvency II guidance available at present, it is unclear whether supervisors across the EU will deem this level of approval sufficient for Solvency II compliance. **Record of an individual ORSA does not mean that the documentation has to be produced specifically for the purpose of the ORSA**
In terms of granularity of documentation, an undertaking should consider the documentation to be sufficient to enable a knowledgeable, third party (with the necessary skills to assess an ORSA) to understand and reproduce the ORSA.
An important clarification of EIOPA regarding the documentation of the ORSA is that "*documenting the ORSA does not mean that the documentation has to be produced specifically for the purpose of the ORSA*". The ORSA documentation should record input data and assumptions, the output from the ORSA, and how the undertaking arrived at the output. All information that is already documented elsewhere may be adequately recorded by means of a reference as the aim of the documentation is merely to have an "audit trail" to allow the comprehensive understanding of the ORSA. For example, the data 'transformation' necessary to produce the results may require new documentation, whereas the documentation related to the 'preparation' of the data may already exist.
Most organisations began their ORSA preparations by including the record of the ORSA as a "static" section of their ORSA reports. After dry-running this exercise most organisations have found that including this information significantly increases the size of the document and thereby decreasing the documents usability as a tool for the AMSB. As a result, some organisations may seize upon this clarification to "split-out" the ORSA record from the ORSA report. Leaving the ORSA report to be a more outcomes focused document for senior management.

The internal ORSA report
The internal ORSA report focuses on the main outcomes of the ORSA process and should present the AMSB with sufficient information to understand how strategic decisions impact the risk profile and how these translate into capital needs.
The public consultation does not bring additional clarifications nor modifications to this requirement.

The ORSA supervisory report is not necessarily a specifically prepared report
EIOPA expects the internal and supervisory reports to be fairly similar as although they could differ in scope and level detail their outcome should be the same. EIOPA does not accede to the demand of some insurers to provide an example of a basic ORSA supervisory report, though clarifies that "*the ORSA supervisory report is not necessarily a specifically prepared report; it could be a self-contained subset of the internal ORSA report, provided that the internal report meets supervisory needs*". Only when the supervisory authority considers that the internal report lacks supervisory information or contains too much non-essential information an insurer will be requested to prepare a separate ORSA supervisory report.

2. Risk and Solvency Assessment

Risk management

Complete identification

EIOPA stresses that the ORSA is about assessing all risks, including risks which cannot or will not be mitigated by capital.

In order to be comprehensive, the ORSA should embrace both capital and non-capital quantifiable risks:

1. risks included in the calculation of the Solvency Capital Requirement (SCR); and
2. risks not fully captured through the calculation of the SCR (for example liquidity risk, concentration risk, reputation risk, strategic risk and business risk).

Assessment

All risks are to be quantified - a purely qualitative assessment is not acceptable

There is no reason not to quantify certain risks, though EIOPA recognizes that "*some risks are considerably more difficult to quantify than others, and there are other measures than covering risks with capital, which may be better suited to managing certain risks*".

Though the overarching principle is that the industry has to quantify all risks, EIOPA accepts that this should not necessary be a hard number. Yet, in line with the ORSA guideline that quantification can be complemented by a qualitative description of the risks, EOIPA acknowledges different levels of sophistication to quantify risks, going from an exact quantification of the required capital or loss in economic terms to an assessment of magnitude, and even a range of values.

Instead of taking an approach based on materiality and to quantify the top risks, it is clear that the requirement to quantify all risks will require additional work.

It should also be noted that although a risk is capital quantifiable, this may not be the only risk exposure measure through which this risk should be managed. Making decisions on capital exposure measures only may not always be optimal. Organisations have a wider set of established risk measures that also provide useful insights on the capital quantifiable risk exposures (e.g. credit risk threshold levels based on credit rated counterparties or operational risk impact and probability analysis measures). Organisations are considering whether these wider measures of risk provide useful insights on their exposure and should therefore complement the capital based analysis already included in their ORSA reporting.

No further specifications to be expected regarding the significance of deviation of the risk profile

The ORSA requires insurers to assess deviations between its risk profile and the assumptions underlying the SCR calculation. In response to the feedback on this requirements following the public consultation, EIOPA specifies that this analysis may be done on a qualitative basis, however EIOPA also stresses that "*undertakings will have to rely on their own judgement to provide further specification of when there is a significant deviation of the risk profile. (…) The significance of the deviation is to be determined by the expected impact on the SCR if the deviation were taken into account in the SCR calculation*". When significant, a quantification of the significance of the deviation is requested. When the deviation is considered not to be significant, the insurer should be able to justify the conclusion.

Stress testing

The CP11/008 clarifies that material risks identified need to be submitted to stress tests and scenario analysis to ensure a sufficient basis for capital calculation. Management actions are to be reflected in the stress tests and scenario's.

The latest public consultation does not bring any modification to this requirement included in Article 45(1)(a) of the Directive.

Gaining AMSB involvement in the identification of stress tests, scenarios and reverse stress tests (not just approval of pre-determined tests) is seen as a key area in which the AMSB can be steering the performance of the ORSA.

Capital management

Capital planning

Forward-looking perspective of the solvency needs is no longer required for each separate year

There is a general consensus that the ORSA includes a forward-looking perspective for a period that aligns with the undertakings strategic planning process (generally greater than one year). EIOPA agrees with the view that "*undertakings cover their prospective overall solvency needs for an appropriate multi-year perspective, taking into account multi-year tendencies and developments*" and do not have to determine overall solvency needs for each individual year of the ORSA projection period. EIOPA also allows for approximate methods for the multi-year projections and recognizes that projection results might be less reliable than the results of the overall solvency needs on a one-year time horizon.
When considering how to address the forward-looking assessment in the ORSA, companies will have to develop a fit for purpose projection approach including stress testing and scenario analysis, both on individual entity level as well as on group level.
One of the key requirements of the ORSA is that the AMSB understand and challenge the identification and assessment of risks and how these translate into overall solvency needs. The projections methodology chosen by the organization should be proportionate to the nature, scale and complexity of the organisation's risk profile. We have generally seen organisations take a pragmatic approach that starts from the last know Solvency II balance sheet and capital requirements, which are then forecasted for 3 to 5 years (aligned with the planning process). This translates macro – economic variables (risk drivers) into a forecasted balance sheet based on a set of well-chosen dependencies between the risk drivers and the different balance sheet items (e.g. investment portfolio, technical provisions, …). Macro-economic scenarios can be delivered by an Economic Scenario Generator (ESG), defined by subject matter experts (e.g. the chief economist of the company), the regulator, and to demonstrate engagement in the performance of the ORSA, the AMSB.

No need to explain differences between the planning period of the undertakings and the group

EIOPA has also abandoned the requirement that "*the group should set the business planning period underlying the group ORSA and explain how the different business planning periods used by group undertakings on the solo level influence the group's forward-looking perspective*". This aspect is therefore no longer required in the ORSA report.

Allocation / limit setting

Diversification effects at the level of the group and their allocation to undertakings are to be explained

In view of managing capital allocation in a group, EIOPA considers it necessary to assess the impact of each undertaking on a group's overall solvency needs and how diversification effects operate at the level of the group.
Operationally, organization's will need to consider the timing implications of when the Group performs the Group-wide solvency calculations and whether group diversification benefits can be allocated to individual entity management for inclusion in the individual entity ORSA.

Contingency plan (and continuous compliance with the regulatory capital requirements)

Regarding the compliance with regulatory capital requirements, EIOPA included in its original Consultation Paper a requirement to "*ensure that the ORSA includes procedures that enable the undertaking to reliably monitor its compliance on a continuous basis with regulatory capital requirements*". EIOPA acknowledges that, although undertakings must have processes in place in order to be able to carry out the assessment, the emphasis should be on the assessment rather than on the processes. The wording of this requirement will be changed but the requirement remains that insurers have an obligation to strive for continuous compliance and may not deliberately risk non-compliance with the SCR.
The requirement to assess future SCR needs, does not require to hold own funds necessary to meet those needs. Rather appropriate capital planning and capital management must "*avoid a situation where additional eligible own funds are only available after the SCR has increased*".

Annex – Summary of modifications to CP-11/008

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
Section I: General considerations	**Section I: General considerations**	
Guideline 1- Principle of proportionality	**Guideline 1- Principle of proportionality**	**EIOPA will not give further specification on the principle of proportionality. Insurers should find fit-for-purpose solutions.**
The undertaking should develop its own processes for the ORSA, tailored to fit into its organisational structure and risk management system with appropriate and adequate techniques to assess its overall solvency needs, taking into consideration the nature scale and complexity of the risks inherent to the business.	The undertaking should develop its own processes for the ORSA, tailored to fit into its organisational structure and risk management system with appropriate and adequate techniques to assess its overall solvency needs, taking into consideration the nature, scale and complexity of the risks inherent to the business.	No text change to guideline
4.6. An undertaking's assessment of its overall solvency needs does not necessarily call for the use of a complex approach. The methods employed may range from (simple) stress tests to more or less sophisticated economic capital models. Where such economic capital models are being used these do not need to meet the requirements of internal models for the calculation of the SCR in accordance with Articles 112 to 126.	1.46. An undertaking's assessment of its overall solvency needs does not necessarily call for the use of a complex approach. The methods employed may range from (simple) stress tests to more or less sophisticated economic capital models. Where such economic capital models are being used these do not need to meet the requirements of internal models for the calculation of the SCR in accordance with Articles 112 to 126.	No text change to paragraph
4.7. The proportionality principle is to be reflected not only in the level of complexity of the methods used but also in the frequency of the ORSA to be established by the undertaking and in the level of granularity of the different analyses to be included in the ORSA.	1.47. The proportionality principle is to be reflected not only in the level of complexity of the methods used but also in the frequency of the ORSA to be established by the undertaking and in the level of granularity of the different analyses to be included in the ORSA.	No text change to paragraph
Guideline 2 – Role of the administrative, management or supervisory body (top-down approach).	**Guideline 2 – Role of the administrative, management or supervisory body (top-down approach).**	**The wording has been made more direct to emphasize the role of the AMSB. EIOPA has not ceded to a request to limit this text to just approval of the report as they outline that the AMSB needs to be involved in every performance of an ORSA and the outcome of such an ORSA process.**
The undertaking should ensure that its administrative, management or supervisory body ("AMSB") takes an active part in the ORSA process by steering how the assessment is to be performed and challenging its results.	~~The undertaking should ensure that its~~ (The) administrative, management or supervisory body **should take** an active part in the ORSA **including providing** steering on how the assessment is to be performed and challenging its results.	Minor wording changes to guideline
4.8. The AMSB approves the ORSA policy and ensures that the ORSA process is appropriately designed and implemented.	1.48. The AMSB approves the ORSA policy and ensures that the ORSA is appropriately designed and implemented.	No change to paragraph

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
4.9. The ORSA is a very important tool for the AMSB of the undertaking providing it with a comprehensive picture of the risks the undertaking is exposed to or could face in the future. It has to enable the AMSB to understand these risks and how they translate into capital needs or alternatively require mitigation actions.	1.49. The ORSA is a very important tool for the AMSB of the undertaking providing it with a comprehensive picture of the risks the undertaking is exposed to or could face in the future. It has to enable the AMSB to understand these risks and how they translate into capital needs or alternatively require mitigation actions.	No change to paragraph
4.10. The AMSB challenges the identification and assessment of risks, and any factors to be taken into account. It also gives instructions on management actions to be taken if certain risks were to materialize.	1.50. The AMSB challenges the identification and assessment of risks, and any factors to be taken into account. It also gives instructions on management actions to be taken if certain risks were to materialize.	No change to paragraph
4.11. As part of the ORSA process the AMSB is also expected to challenge the assumptions behind the calculation of the SCR to ensure they are appropriate in view of the assessment of the undertaking's risks.	1.51 As part of the ORSA ~~process~~ the AMSB is also expected to challenge the assumptions behind the calculation of the SCR to ensure they are appropriate in view of the assessment of the undertaking's risks.	Removed the word process from paragraph.
4.12. It is also the AMSB's responsibility, taking into account the insights gained from the ORSA process, to approve the long and short term capital planning, whilst considering the business and risk strategies it has decided upon for the undertaking. This plan includes alternatives to ensure that solvency needs can be met even under unexpectedly adverse circumstances.	1.52. It is also the AMSB's responsibility, taking into account the insights gained from the ORSA ~~process~~ to approve the long and short term capital planning, whilst considering the business and risk strategies it has decided upon for the undertaking. This plan includes alternatives to ensure that ~~solvency needs~~ capital requirements can be met even under unexpectedly adverse circumstances.	Removed the word process from paragraph and replaced solvency needs with capital requirements.
Guideline 3 – Documentation	**Guideline 3 – Documentation**	**No material change to the guideline text. EIOPA further emphasizes that it is up to the firm to decide whether the internal report, the supervisory report and the record are the same document, or whether there should be some form of split. EIOPA expects the internal and supervisory reports to be fairly similar as although they could differ in scope and level detail their outcome should be the same. It does emphasize that the report should be outcome focused whereas the record needs to be sufficiently detailed to allow third party to re-perform the assessment.**
The undertaking should have in place at least the following documentation on the ORSA: a) ORSA policy; b) record of each ORSA process c) internal report on ORSA; d) ORSA supervisory report	The undertaking should have in place at least the following documentation on the ORSA: a) ORSA policy; b) record of each ORSA ~~process~~; c) internal report on ORSA; and d) ORSA supervisory report.	Removed the word process from the record.

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
	1.53. Documenting information does not necessarily require that new reports or documents are drafted, it can be sufficient to refer to existing documents where these contain the relevant information and just record additional information if and insofar as this is necessary to present the full picture.	New paragraph to outline that the record of the ORSA can be supported by existing documentation rather than having to create new documents.
	Section II: ORSA policy	
Guideline 4 – ORSA policy	Guideline 4 – ORSA policy	A few text changes clarified by underlying paragraph changes. The ORSA Policy may or may not be a self standing document; this is for organizations to determine. The requirement for data quality requirements is retained but it is made clear that a reference to the data policy will be sufficient. Also EIOPA clarifies that the information on stress and scenario tests does not call for very detailed descriptions.
The ORSA policy should comply with the guidelines established under General Governance - Written policies- and include additionally at least: a) a description of the processes and procedures in place to conduct the ORSA; b) consideration of the link between the risk profile, the approved risk tolerance limits and the overall solvency needs; c) information on: (i) how stress tests/sensitivity analyses are to be performed and how often are to be performed; (ii) data quality requirements (iii) the frequency for the performance of the (regular) ORSA and the circumstances which would trigger the need for an ORSA outside the regular timescales.	The ORSA policy should comply with the guidelines established under General Governance – ~~Written~~ Policies and include additionally at least: a) a description of the processes and procedures in place to conduct the ORSA including how the forward-looking perspective is addressed; b) consideration of the link between the risk profile, the approved risk tolerance limits and the overall solvency needs; c) information on: (i) how stress tests / , sensitivity analyses or reverse stress testing are to be performed and how often they are to be performed; (ii) data quality requirements; and (iii) the frequency and timing for the performance of the (regular) ORSA and the circumstances which would trigger the need for an ORSA outside the regular timescales.	Removed the word Written from Written Policies. Made it explicit that the description of processes must include how the forward looking perspective is addressed. Made it explicit that stress testing includes reverse stress testing. Included the fact that the ORSA Policy should outline not just the frequency but the timing of the regular ORSA.
4.13. According to Article 41(3) undertakings are required to have a written policy on risk management. As risk management includes the ORSA, undertakings have to develop an ORSA policy as part of the risk management policy.	1.54. According to Article 41(3) undertakings are required to have a written policy on risk management. As risk management includes the ORSA, undertakings have to develop an ORSA policy as part of the risk management policy.	No change to paragraph

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
Section II: Record of each ORSA process	**Section III: Record of each ORSA**	
Guideline 5- General rule	Guideline 5- General rule	Minor text change to guideline (removal of word "Process"). Guideline 5 is used to "explain" what is required of the record. No further advice on required documentation is envisaged from EIOPA. The undertaking may use existing output document from supporting ORSA processes as part of their record.
The ORSA process and outcome should be appropriately evidenced and internally documented.	The ORSA ~~process~~ and its outcome should be appropriately evidenced and internally documented.	Removed the word process from the guideline
4.14. The undertaking records the performance of each ORSA and the assessment of any deviations in its risk profile from the assumptions underlying the SCR calculation to a level of detail that enables a third party to evaluate the assessments. The record of each ORSA process includes: a) The individual risk analysis, including a description and explanation of risks; b) The links between the risk assessment and the capital allocation process and an explanation of how the approved risk tolerance limits were taken into account; c) An explanation of how risks not covered with own funds are managed d) A description of the methods used and an explanation of how these methods were validated. This includes setting out the dependencies used and the confidence level chosen, giving the rationale for the latter. Appropriate documentation in particular includes a description of stress tests and scenario analyses employed and the way their results were taken into account. It further explains how parameter and data uncertainty were assessed; e) An amount/range of values of the overall solvency needs over a one-year-period, as well as for each year over the business planning period and a description of how the undertaking expects to cover the needs for each of these years;	1.55. The undertaking records the performance of each ORSA and the assessment of any deviations in its risk profile from the assumptions underlying the SCR calculation to a level of detail that enables a third party to evaluate the assessments. 1.56. The record of each ORSA includes: a) The individual risk analysis, including a description and explanation of risks considered; b) The links between the risk assessment and the capital allocation process and an explanation of how the approved risk tolerance limits were taken into account; c) An explanation of how risks not covered with own funds are managed; d) A technical specification of the approach used for the ORSA assessment, including a detailed description of the key structure, together with a list and justification of the assumptions underlying the approach used, the process used for setting dependencies, if any, and the rationale for the confidence level chosen, if any, a description of stress tests and scenario analyses employed and the way their results were taken into account, and an explanation concerning how parameter and data uncertainty were assessed; e) For undertakings using an internal model approved to calculate the SCR, a description of the changes made to the approved internal model if any;	Split over two paragraphs. Re-write of point (d) to amend wording. New point (e) to include a description of any changes made to the model over the period. Previous point (e) now (f) text changed to reflect the scaled back requirements around projections (no longer required separately for each year)

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
f) Details on the conclusions and the rationale for them from the assessment of the continuous compliance with the requirements of regulatory capital and technical provisions; g) The identification and explanation of the differences established from the comparison of the undertaking's risk profile with the assumptions underlying the calculation of the SCR. In case the deviations are considered to be significant in either direction, the internal documentation addresses how the undertaking has reacted or will react; h) Action plans arising from the assessment and the rationales for them. This requires the documentation to cover any strategies for raising additional own funds where necessary and the proposed timing for actions to improve the undertaking's financial condition; i) A description of what internal and external factors were taken into consideration in the forward-looking perspective; j) Details of any planned relevant management actions, including an explanation and a justification for these actions, and their impact on the assessment; and k) A record of the challenge process performed by the AMSB.	f) An amount/range of values of the overall solvency needs over a one-year-period, as well as at the end of the business planning period and a description of how the undertaking expects to cover the needs along these years; g) Details on the conclusions and the rationale for them from the assessment of the continuous compliance with the requirements of regulatory capital and technical provisions; h) The identification and explanation of the differences identified from the comparison of the undertaking's risk profile with the assumptions underlying the calculation of the SCR. In case the deviations are considered to be significant in either direction, the internal documentation addresses how the undertaking has reacted or will react; i) Action plans arising from the assessment and the rationales for them. This requires the documentation to cover any strategies for raising additional own funds where necessary and the proposed timing for actions to improve the undertaking's financial condition; j) A description of what internal and external factors were taken into consideration in the forward-looking perspective; k) Details of any planned relevant management actions, including an explanation and a justification for these actions, and their impact on the assessment; and l) A record of the challenge process performed by the AMSB.	
	Section IV: Internal report on ORSA	
Guideline 6 – Internal report on ORSA	Guideline 6 – Internal report on ORSA	The wording of the guideline will not be made more specific as the undertaking has to determine for whom the information is relevant. EIOPA does not expect the internal report to be long on processes (this again implies splitting out the record from the internal report may be a desirable option).
Once the process and the result of the ORSA have been signed off by the administrative, management or supervisory body, at least information on the results and conclusions regarding the ORSA should be communicated to all staff for whom the information is relevant.	Once the process and the result of the ORSA have been approved by the administrative, management or supervisory body, at least information on the results and conclusions regarding the ORSA should be communicated to all staff to whom the information is relevant.	Minor word changes

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
4.15. The information communicated has to be sufficiently detailed to ensure that the AMSB is able to use it in its strategic decision-making process and other staff can ensure that any necessary follow-up action will be taken.	1.57. The information communicated **to the AMSB** has to be sufficiently detailed to ensure that it is able to use it in its strategic decision-making process and other staff can ensure that any necessary follow-up action will be taken.	Minor word changes
4.16. The internal report developed by the undertaking could be the basis of the ORSA supervisory report. If the undertaking considers that the internal report has an appropriate level of detail also for supervisory purposes then the same report may be submitted to the national supervisor.	1.58. The internal report developed by the undertaking could be the basis of the ORSA supervisory report. If the undertaking considers that the internal report has an appropriate level of detail also for supervisory purposes then the same report may be submitted to the national supervisory **authority**.	Minor word changes
Section III: Specific features regarding the performance of the ORSA	**Section V: Specific features regarding the performance of the ORSA**	
Guideline 7 – Assessment of the overall solvency needs	Guideline 7 – Valuation and recognition	EIOPA has resisted pressure to change the guideline text to make this requirement less onerous. EIOPA believes that any deviations from the base position, of using SII valuations, should be sufficiently documented and explained so that the regulator can assess the appropriateness of this.
If the undertaking uses recognition and valuation bases that are different from the Solvency II basis in its assessment of its overall solvency needs, it has to explain how the different recognition and valuation bases ensure better consideration of the specific risk profile, approved risk tolerance limits and business strategy of the undertaking, while complying with the requirement for a sound and prudent management of the business. The undertaking should quantitatively estimate the impact on the overall solvency needs assessment of the different recognition and valuation bases.	If the undertaking uses recognition and valuation bases that are different from the Solvency II basis in its assessment of its overall solvency needs, it has to explain how the different recognition and valuation bases ensure better consideration of the specific risk profile, approved risk tolerance limits and business strategy of the undertaking, while complying with the requirement for a sound and prudent management of the business. The undertaking should quantitatively estimate the impact on the overall solvency needs assessment of the different recognition and valuation bases.	No change to guideline text.
4.17. The ORSA has to ensure a comprehensive assessment of the undertaking's overall solvency needs in view of its business strategy, its risk profile and the approved risk tolerance limits it sets for itself and its responsibility to meet financial obligation towards policyholders.		Explanatory Text removed / Re-structure of paragraphs in final advice

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
4.18. The process of assessing these overall solvency needs enables the undertaking to properly identify and manage the risks it faces or could face in the short and long term and project its capital needs over its business planning period (multi-year). The projections are to be made considering likely changes to the risk profile and business strategy over the projection period and sensitivity to the assumptions used.		Explanatory Text removed / Re-structure of paragraphs in final advice
4.19. After identifying all the risks it is exposed to, the undertaking takes a decision on whether they will be covered with capital or managed with risk mitigation tools or both.	Part of Level 8 Guidelines, please see 1.64	Re-structure of paragraphs in final advice
4.20. If risks are to be covered by capital, there is a need to estimate the risks and identify the level of materiality. For material risks, the undertaking has to determine the capital required and explain how they will be managed.	Part of Level 8 Guidelines, please see 1.65	Re-structure of paragraphs in final advice
4.21. If the risk is managed with risk mitigation techniques, the undertaking explains which risks are going to be managed with risk mitigation tools, how will this be done and why it will be done.	Part of Level 8 Guidelines, please see 1.66	Re-structure of paragraphs in final advice
4.22. The assessment needs to cover whether the undertaking has sufficient financial resources or realistic plans to raise additional capital if and when required, i.e. on account of the business strategy or business plan. In assessing the sufficiency of its financial resources the undertaking has to take into account the quality and volatility of its own funds with particular regard to their loss-absorbing capacity.	Part of Level 8 Guidelines, please see 1.67	Re-structure of paragraphs in final advice
4.23. Conducting an assessment of the overall solvency needs properly involves input from across the whole undertaking. One difference to the SCR calculation is that for the overall solvency needs assessment the undertaking considers all risks, including long term risks it could face within the timeframe determined by its business planning period. Although the SCR only takes quantifiable risks into account, the undertaking is expected to identify and assess the extent to which non-quantifiable risks are part of its risk profile and to ensure that they are properly managed.	Part of Level 8 Guidelines, please see 1.68	Re-structure of paragraphs in final advice

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
4.24. The quantitative estimate of the impact includes all balance sheet effects. For the assessment of the compliance on a continuous basis with the regulatory capital and technical provisions requirements within the ORSA, the recognition and valuation bases have to be in line with the Solvency II principles. The diversification effects between risks (correlations) also have to be considered in this assessment. In this the undertaking is not bound to use the correlations incorporated in the standard formula, but may employ others considered to be more suitable to its specific business and its risk profile.	1.59. The quantitative estimate of the impact includes all balance sheet effects. The diversification effects between risks (correlations) also have to be considered in this assessment. In this the undertaking is not bound to use the correlations incorporated in the standard formula, but may employ others considered to be more suitable to its specific business and its risk profile. 1.82 For the assessment of the compliance on a continuous basis with the regulatory capital and technical provisions requirements within the ORSA, the recognition and valuation bases have to be in line with the Solvency II principles.	Re-structure of paragraphs in final advice
Guideline 8 - Assessment of the overall solvency needs	**Guideline 8 - Assessment of the overall solvency needs**	**EIOPA acknowledges that it may be more difficult to quantify the impact of certain risks but this not a reason not to quantify these risks. A qualitative assessment only is not sufficient and it should be possible to at least determine the risk's magnitude (even if not on a capital basis). A range of values is also deemed acceptable.**
The undertaking should express the overall solvency needs in quantitative terms and complement the quantification by a qualitative description of the risks.	The undertaking should express the overall solvency needs in quantitative and qualitative terms and complement the quantification by a qualitative description of the risks. For this, and where appropriate the undertaking should subject the identified risks to a sufficiently wide range of stress test/scenario analyses to provide an adequate basis for the assessment of the overall solvency needs.	Re-structure of paragraphs in final advice
4.27. In its assessment of the overall solvency needs an undertaking could decide not to use capital as a buffer for all its quantifiable risks but to manage and mitigate those risks instead. However, it still has to assess all risks.	1.60. In its assessment of the overall solvency needs an undertaking could decide not to use capital as a buffer for all its quantifiable risks but to manage and mitigate those risks instead. However, it still has to assess all material risks.	No change to paragraph
4.28. The assessment covers all risks, including non-quantifiable risks like reputational risk or strategic risk, amongst others. The assessment could take several forms. It could be "pure" quantification based on quantitative methodologies or an estimated value, or range of values, based on assumptions or scenarios, or more or less judgemental. It is however required that the undertaking demonstrates the rationale for the assessment.	1.61. The assessment covers all material risks, including non-quantifiable risks like reputational risk or strategic risk, amongst others. The assessment could take several forms. It could be "pure" quantification based on quantitative methodologies or an estimated value, or range of values, based on assumptions or scenarios, or more or less judgemental. It is however required that the undertaking demonstrates the rationale for the assessment.	Made explicit that the assessment should cover all "material" risks.

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
4.29. When an insurance undertaking belongs to a group its solo ORSA has to include all group risks that may impact materially the solo entity.	1.62. When an insurance undertaking belongs to a group its ~~solo~~ ORSA has to consider all group risks that may impact materially the individual entity.	Minor word changes
4.30. As the risk profile is influenced by the risk mitigation techniques used by the undertaking, consideration also has to be given to the impact and effectiveness of reinsurance and other risk mitigation techniques. Where there is no effective risk transfer this has to be taken into account in the assessment of the overall solvency needs.	1.63. As the risk profile is influenced by the risk mitigation techniques used by the undertaking, the assessment of the impact and the effectiveness of reinsurance and other risk mitigation techniques plays a role in the ORSA. Where there is no effective risk transfer this has to be taken into account in the assessment of the overall solvency needs.	Minor word changes
4.19. After identifying all the risks it is exposed to, the undertaking takes a decision on whether they will be covered with capital or managed with risk mitigation tools or both.	1.64. After identifying all the risks it is exposed to, the undertaking takes a decision on whether they will be covered with capital or managed with risk mitigation tools or both.	No change to paragraph
4.20. If risks are to be covered by capital, there is a need to estimate the risks and identify the level of materiality. For material risks, the undertaking has to determine the capital required and explain how they will be managed.	1.65. If risks are to be covered by capital, there is a need to estimate the risks and identify the level of materiality. For material risks, the undertaking has to determine the capital required and explain how they will be managed.	No change to paragraph
4.21. If the risk is managed with risk mitigation techniques, the undertaking explains which risks are going to be managed with risk mitigation tools, how will this be done and why it will be done.	1.66. If the risks are managed with risk mitigation techniques, the undertaking explains which risks are going to be managed by which technique and the underlying reasons.	Minor word changes
4.22. The assessment needs to cover whether the undertaking has sufficient financial resources or realistic plans to raise additional capital if and when required, i.e. on account of the business strategy or business plan. In assessing the sufficiency of its financial resources the undertaking has to take into account the quality and volatility of its own funds with particular regard to their loss-absorbing capacity.	1.67. The assessment needs to cover whether the undertaking has sufficient financial resources or realistic plans to raise additional capital if and when required, i.e. on account of the business strategy or business plan. In assessing the sufficiency of its financial resources the undertaking has to take into account the quality and volatility of its own funds with particular regard to their loss-absorbing capacity under different scenarios.	Minor word changes

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
4.23. Conducting an assessment of the overall solvency needs properly involves input from across the whole undertaking. One difference to the SCR calculation is that for the overall solvency needs assessment the undertaking considers all risks, including long term risks it could face within the timeframe determined by its business planning period. Although the SCR only takes quantifiable risks into account, the undertaking is expected to identify and assess the extent to which non-quantifiable risks are part of its risk profile and to ensure that they are properly managed.	1.68. Conducting an assessment of the overall solvency needs properly involves input from across the whole undertaking. One difference to the SCR calculation is that for the overall solvency needs assessment the undertaking considers all material risks, including long term risks it could face within the timeframe determined by its business planning period. Although the SCR only takes quantifiable risks into account, the undertaking is expected to identify and assess the extent to which non-quantifiable risks are part of its risk profile and to ensure that they are properly managed.	Made explicit that the assessment should cover all "material" risks.
Guideline 9 - Assessment of the overall solvency needs		Guideline 9 has merged with Final Guideline 8 to become: Guideline 8 - Assessment of the overall solvency needs. The 'Guideline description' for Guideline 9 is embedded in the description of the 'Final Guideline description, however this row will remain to maintain correspondence with the analysis.
4.31. The assessment of the overall solvency needs is at least expected to: a) Reflect the risks arising from all assets and liabilities, including intra-group and off-balance sheet arrangements; b) Reflect the undertaking's management practices, systems and controls; c) Assess the quality of processes and inputs, in particular the adequacy of its system of governance, taking into consideration risks that may arise from inadequacies or deficiencies; d) Connect business planning to solvency needs; e) Include explicit identification of possible future scenarios; f) Address potential external stress; and g) Use a valuation basis that is consistent throughout the overall solvency needs assessment.	1.69. The assessment of the overall solvency needs is at least expected to: a) Reflect the risks arising from all assets and liabilities, including intra-group and off-balance sheet arrangements; b) Reflect the undertaking's management practices, systems and controls including the use of risk mitigation techniques; c) Assess the quality of processes and inputs, in particular the adequacy of the undertaking's system of governance, taking into consideration risks that may arise from inadequacies or deficiencies; d) Connect business planning to solvency needs; e) Include explicit identification of possible future scenarios; f) Address potential external stress; and g) Use a valuation basis that is consistent throughout the overall solvency needs assessment.	Have explicitly included reference to undertakings taking into consideration risk mitigation techniques in their overall solvency needs. EIOPA has resisted pressure to make explicit what these risk mitigation techniques could include.

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
4.32. When assessing the overall solvency needs, an undertaking also has to take into account management actions that may be adopted in adverse circumstances. When relying on such prospective management actions, an undertaking assesses the implications of taking these actions, including their financial effect, and takes into consideration any preconditions that might affect the efficacy of management actions as risk mitigators. The assessment also has to address how any management actions would be enacted in times of financial stress.	1.70. When assessing the overall solvency needs, an undertaking also has to take into account management actions that may be adopted in adverse circumstances. When relying on such prospective management actions, an undertaking assesses the implications of taking these actions, including their financial effect, and takes into consideration any preconditions that might affect the efficacy of management actions as risk mitigators. The assessment also has to address how any management actions would be enacted in times of financial stress.	No change to paragraph
4.25. Where the undertaking uses the standard formula as a baseline for its assessment of its overall solvency needs, it is expected to demonstrate that this is appropriate to the risks inherent in its business and reflects its risk profile.	1.72. Where the undertaking uses the standard formula as a baseline for its assessment of its overall solvency needs, it is expected to demonstrate that this is appropriate to the risks inherent in its business and reflects its risk profile.	No change to paragraph
4.26. If undertaking-specific parameters are approved to be employed in the SCR calculations, as submitted by the undertaking, these have to be the same as those used in the overall solvency needs assessment.	1.73. If undertaking-specific parameters are approved to be employed in the SCR calculations, as submitted by the undertaking, these have to be the same as those used in the overall solvency needs assessment.	Resisted pressure to change this text. If USP are approved for SCR EIOPA would expect these to be used for overall solvency needs. What is right for one calculation cannot be wrong for the other.
	1.74. In the case of internal model users, the explanations and justifications required for internal models approval can be used, if appropriate in the context of the ORSA. Nevertheless specific explanations will cover any use of a different recognition or valuation basis in the ORSA than in the internal model used to calculate the SCR.	New paragraph to clarify that the evidential documentation used for SCR's USP can also be used for the ORSA.
Guideline 10- Forward-looking perspective	**Guideline 9 – Forward-looking perspective**	**EIOPA has scaled back this guideline, no longer requiring that a forward looking perspective of the solvency assessment requires analysis separately for each year of the business planning period.**
The undertaking's assessment of the overall solvency needs should be forward-looking and at least cover separately each year of the business planning period.	The undertaking's assessment of the overall solvency needs should be forward-looking ~~and at least cover separately each year of the business planning period~~.	Removed requirement for separate year analysis.
4.33. The analysis of the undertaking's ability to remain a going concern and the financial resources needed to do so over a possibly longer time horizon than taken into account in the calculation of the SCR is an important part of the ORSA.	1.75. The analysis of the undertaking's ability to remain a going concern and the financial resources needed to do so over a possibly longer time horizon than taken into account in the calculation of the SCR is an important part of the ORSA.	No change to paragraph

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
4.34. Unless an undertaking is in a winding-up situation, it has to consider how it can ensure that it stays a going concern. In order to do this successfully, it does not only have to assess its current risks but also the risks it will or could face in the long term. That may mean that, depending on the complexity of the undertaking's business, long term projections of the business which are a key part of any undertaking's financial planning, including business plans, and projections of the economic balance sheet and variation analysis to reconcile them may be required. These projections are required to feed into the ORSA in order to enable the undertaking to form an opinion on its overall solvency needs and own funds.	1.76. Unless an undertaking is in a winding-up situation, it has to consider how it can ensure that it stays a going concern. In order to do this successfully, it does not only have to assess its current risks but also the risks it will or could face in the long term. That may mean that, depending on the complexity of the undertaking's business, long term projections of the business which are a key part of any undertaking's financial planning, including business plans, and projections of the economic balance sheet and variation analysis to reconcile them may be appropriate. These projections, **if appropriate**, are required to feed into the ORSA in order to enable the undertaking to form an opinion on its overall solvency needs and own funds.	Softened language of requirement slightly by adding in the text "if appropriate".
	1.77. The undertaking needs to project its capital needs over its business planning period. This projection is to be made considering likely changes to the risk profile and business strategy over the projection period and sensitivity to the assumptions used.	New paragraph to emphasize need for sufficient information on how projections may change in response to changes to risk profile and strategy and the sensitivity of assumption sets.
4.35. The length of the business planning period may differ between undertakings. However, any regularly developed business plan or changes to an existing business plan need to be reflected in the ORSA process taking into account the new risk profile, business volume and mix as expected at the end of the projection period at least annually. In order to provide a proper basis for decision-making and identify material risks and the consequences for solvency inherent in the business plan, a range of possible scenarios for the plan have to be tested.	1.78. The length of the business planning period may differ between undertakings. However, any regularly developed business plan or changes to an existing business plan need to be reflected in the ORSA ~~process~~ taking into account the new risk profile, business volume and mix as expected at the end of the projection period ~~at least annually~~. In order to provide a proper basis for decision-making and identify material risks and the consequences for solvency inherent in the business plan, a range of possible scenarios for the plan have to be tested.	Removed the word "process" and requirement for this to be done "at least annually".

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
4.36. To this end an undertaking also identifies and takes into account external factors that could have an adverse impact on its overall solvency needs or its own funds. External factors that could have an adverse effect on undertakings can, for example, entail changes in the economic conditions, in the legal or fiscal environment, in the insurance market or on the technical developments that have an impact on the underwriting risk or any other event the crystallisation of which is sufficiently probable that it has to be properly considered. The capital management plans and capital projections require the undertaking to consider how it might respond to unexpected changes in external factors.	1.79. To this end an undertaking also identifies and takes into account external factors that could have an adverse impact on its overall solvency needs or its own funds. External factors that could have an adverse effect on undertakings can, for example, entail changes in the economic conditions, in the legal or fiscal environment, in the insurance market or on the technical developments that have an impact on the underwriting risk or any other event the crystallisation of which is sufficiently probable that it has to be properly considered. The capital management plans and capital projections require the undertaking to consider how it might respond to unexpected changes in external factors.	No change to paragraph
4.37. Capital planning includes projections of capital requirements and own funds over the planning period (and may include the need to raise new own funds). It is up to each undertaking to decide on its own reasonable methods, parameters, dependencies or levels of confidence to be used in the projections.	1.80. Capital planning includes projections of capital requirements and own funds over the planning period (and may include the need to raise new own funds). It is up to each undertaking to decide on its own reasonable methods, assumptions, parameters, dependencies or levels of confidence to be used in the projections.	Made explicit that one of the items that undertakings must determine its own view is with regards to assumptions.
4.38. As part of the business and capital planning processes, an undertaking is required to regularly carry out stress tests, reverse stress-tests, as well as scenario analyses to feed into its ORSA. The stress testing scope and frequency has to be compatible with the principle of proportionality, having regard to the nature, scale and complexity of the undertaking's business.	1.81. As part of the business and capital planning processes, an undertaking is required to regularly carry out stress tests, reverse stress-tests, as well as scenario analyses to feed into its ORSA. The stress testing scope and frequency has to be compatible with the principle of proportionality, having regard to the nature, scale and complexity of the undertaking's business and risk profile.	Minor wording change.
Guideline 11- Regulatory capital requirements	**Guideline 10 – Regulatory capital requirements**	**EIOPA has extended this guideline, as part of the assessment of compliance with capital requirements, undertakings should be aware of when own funds may no longer be available to cover solvency capital requirements (due to redemption at call dates or maturity) ahead of the event happening. This should be planned for in their capital management plan, which should have a multi-year outlook.**

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
The undertaking should ensure that the ORSA includes: a) procedures that enable the undertaking to reliably monitor its compliance on a continuous basis with regulatory capital requirements whilst taking into account potential future changes in the risk profile and considering stressed situations; b) processes and procedures to allow the undertaking to monitor and manage the quality and loss absorbing capacity of its own funds over the whole of its business planning period.	**As part of the ORSA the undertaking should ensure that the assessment of** compliance on a continuous basis with the regulatory capital requirements includes, at least, an assessment of: a) potential future changes in the risk profile and stressed situations; b) the quantity and quality of its own funds over the whole of its business planning period; and **c) the composition of own funds across tiers and how this composition may change as a result of redemption, repayment and maturity dates during the business planning period.**	Increased requirement to include assessment of own fund redemption, repayment and maturity dates.
4.39. Changes in an undertaking's risk profile will affect the MCR and the SCR and therefore need to be reflected in the capital management process. The undertaking's risk management decisions need to take into account its overall solvency needs, its regulatory capital requirements and its financial resources. In considering the own funds the undertaking at least has to take into account: a) the extent to which eligible own funds are greater than the SCR, and the loss which the undertaking could incur before a breach of the SCR might occur; and/or b) whether it already holds sufficient funds to meet an increase in SCR because items which are ineligible may become eligible as a result of an increased SCR.	1.84. Changes in an undertaking's risk profile will affect the MCR and the SCR and therefore need to be reflected in the capital management process. The undertaking's risk management decisions need to take into account its overall solvency needs, its regulatory capital requirements and its financial resources **and how a change in risk profile may impact on these**. 1.86. In considering the own funds **with relation to changes in capital requirements** the undertaking at least has to take into account: a) the extent to which eligible own funds are greater than the SCR, and the loss which the undertaking could incur before a breach of the SCR might occur; and/or b) whether it holds sufficient funds to meet **an increase in SCR because an increase in the SCR could mean items which were previously ineligible, due to the operation of the limits**, may become eligible as a result of an increased SCR.	Split requirements out over two paragraphs. Minor wording changes and clarifications.

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
4.40. Continuous compliance does not constitute an obligation to recalculate the full regulatory capital requirements all of the time. To enable it to estimate with sufficient accuracy changes in its capital requirements and eligible own funds' since the last full solvency calculation it may be appropriate for a calculation of some aspects and an estimation of others. The choice between a calculation and an estimate, and frequency of the calculation, will depend on the volatility of the capital requirements and the own funds as well as on the level of solvency. The undertaking is expected to be able to justify both the frequency and whether a full, partial or estimate of the calculation of the regulatory capital requirements is undertaken. A full calculation is in any case required if the risk profile changes significantly according to Article 102(1) subparagraph 4.	1.83. Continuous compliance does not constitute an obligation to recalculate the full regulatory capital requirements all of the time. To enable it to estimate with sufficient accuracy changes in its capital requirements and eligible own funds' since the last full solvency calculation it may be appropriate for a calculation of some aspects and an estimation of others. The choice between a calculation and an estimate, and frequency of the calculation, will depend on the volatility of the capital requirements and the own funds as well as on the level of solvency. **These decisions are at the discretion of the undertaking** and the undertaking is expected to be able to justify both the frequency and whether a full, partial or estimate of the calculation of the regulatory capital requirements is undertaken. A full calculation is in any case required if the risk profile changes significantly according to Article 102(1) subparagraph 4 **of the Directive**.	Minor wording changes and clarifications.
4.41. The assessment of (regulatory capital requirements) also needs to also consider the changes that might occur in stressed situations. The undertaking is expected to carry out stress tests and scenario analyses to observe the resilience of the business.	1.85. The assessment ~~of (regulatory capital requirements)~~ also needs to consider the changes **to the own funds** position that might occur in stressed situations. The undertaking is expected to carry out stress tests and scenario analyses to assess the resilience of the business.	Minor wording changes and clarifications.
4.42. When considering the quantity and quality of own funds, the undertaking has to consider the following: a) The mix between basic own funds and ancillary own funds, and also between tiers, their relative quality and loss absorbing capacity; b) net cash flows which result from the inclusion in technical provisions of premiums on existing business that are expected to be received in the future (EPIFP); and c) How it can ensure compliance with the SCR and MCR following a reduction in own funds (whether caused by losses or volatility in valuation) or from an increase in capital requirements.	1.87. When considering the quantity, quality and **composition** of its own funds, the undertaking has to consider the following: a) the mix between basic own funds and ancillary own funds, and also between tiers, their relative quality and loss absorbing capacity; b) net cash flows which result from the inclusion in technical provisions of premiums on existing business that are expected to be received in the future (EPIFP); and c) how it can ensure compliance with the SCR and MCR following a reduction in own funds (whether caused by losses or volatility in valuation) or from an increase in capital requirements.	Minor wording changes

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
4.43. When considering future own fund requirements the undertaking has to consider: a) Capital management including, at least issuance or repayment of capital instruments, dividends and other distributions of income or capital, or calls on ancillary own fund items. This has to include both projected changes and contingency plans in the result of a stressed situation. b) The interaction between the capital management and its risk profile and its expected and stressed evolution. c) If required, its ability to raise own funds of an appropriate quality and in an appropriate timescale. This has to have regard to: its own access to capital markets; the state of the markets; its dependence on a particular investor base, investors or other members of its group; and the impact of other undertakings seeking to raise own funds at the same time. d) How the average duration of own fund items (contractual, maturity or call dates), relates to the average duration of its insurance liabilities and future own funds needs. e) The methods and main assumptions used to calculate net cash flows resulting from the inclusion in technical provisions of premiums on existing business that are expected to be received in the future (Expected profits included in future premiums (EPIFP)); and how it might respond to any changes in basic own funds resulting from changes in those cash flow expectations.	1.88. When considering future own fund requirements the undertaking has to consider: a) Capital management including, at least issuance, redemption or repayment of capital instruments, dividends and other distributions of income or capital, and calls on ancillary own fund items. This has to include both projected changes and contingency plans in the result of a stressed situation; b) The extent to which the undertaking relies on own fund items under transitional arrangements and the period until these provisions expire; c) The interaction between the capital management and its risk profile and its expected and stressed evolution; d) If required, its ability to raise own funds of an appropriate quality and in an appropriate timescale. This has to have regard to: its own access to capital markets; the state of the markets; its dependence on a particular investor base, investors or other members of its group; and the impact of other undertakings seeking to raise own funds at the same time; e) How the average duration of own fund items (contractual, maturity or call dates), relates to the average duration of its insurance liabilities and future own funds needs; and f) The methods and main assumptions used to calculate net cash flows resulting from the inclusion in technical provisions of premiums on existing business that are expected to be received in the future (EPIFP); and how it might respond to any changes in basic own funds resulting from changes in those cash flow expectations.	Minor wording changes
4.44. The undertaking also assesses and identifies relevant compensating measures and offsetting actions it realistically could take to restore or improve capital adequacy or its cash flow position after some future stress events.	1.89. The undertaking also assesses and identifies relevant compensating measures and offsetting actions it realistically could take to restore or improve capital adequacy or its cash flow position after some future stress events.	No change to paragraph
4.45. Capital management has to take into account the available timeframe for remedial actions in accordance with Articles 138 and 139 of the Directive.	1.90. Capital management has to take into account the available timeframe for remedial actions in accordance with Articles 138 and 139 of the Directive as well as the characteristics of the business of the undertaking.	Minor wording changes and clarifications.

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
Guideline 12 - Technical provisions	**Guideline 11 – Technical provisions**	**EIOPA has rejected proposed wording changes from industry emphasizing that this requirement needs to focus on what risks arise from the calculation and that it is about continuous compliance, not just current compliance.**
As part of the ORSA process the undertaking should ensure that the actuarial function provides input concerning the continuous compliance with the requirements regarding the calculation of technical provisions and the risks arising from this calculation.	As part of the ORSA the undertaking should ensure that the actuarial function provides input concerning the continuous compliance with the requirements regarding the calculation of technical provisions and the risks arising from this calculation.	No change to guideline
4.46. The undertaking has to ensure that the calculation of technical provisions complies with requirements at all times.		Explanatory Text removed / Re-structure of paragraphs in final advice
4.47. Assessing whether the requirements relating to technical provisions are being complied with continuously requires processes and procedures relating to a regular review of the calculation of the technical provisions to be in place.	1.91. Assessing whether the requirements relating to technical provisions are being complied with continuously requires processes and procedures relating to a regular review of the calculation of the technical provisions to be in place.	No change to paragraph
4.48. The input regarding the compliance with requirements and risks arising from the calculation of technical provisions has to be in line with the information contained in the annual report of the actuarial function.	1.92. The input regarding the compliance with requirements and risks arising from the calculation of technical provisions has to be in line with the information contained in the annual report of the actuarial function.	No change to paragraph
Guideline 13- Deviations from assumptions underlying the SCR calculation	**Guideline 12 – Deviations from assumptions underlying the SCR calculation**	**No change provided to guideline. In terms of what constitutes a material deviation EIOPA states that the deviation is significant if it should be taken into account in the SCR calculation in order to capture risks appropriately. However, EIOPA states that undertakings need to think about this for themselves and provide the rationale if they consider the deviation to be non-significant.**
The undertaking may initially assess deviations between its risk profile and the assumptions underlying the SCR calculation on a qualitative basis. If this assessment indicates that the undertaking's risk profile deviates materially from the assumptions underlying the SCR calculation the undertaking should quantify the significance of the deviation.	The undertaking may initially assess deviations between its risk profile and the assumptions underlying the SCR calculation on a qualitative basis. If this assessment indicates that the undertaking's risk profile deviates materially from the assumptions underlying the SCR calculation the undertaking should quantify the significance of the deviation.	No change to guideline

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
4.49. The assessment of the significance with which the risk profile of the undertaking deviates from the assumptions underlying the SCR calculation is an important tool in ensuring that the undertaking understands the assumptions underlying its SCR calculation and considers whether those assumptions are appropriate. To do this, the undertaking will have to compare those assumptions with its own understanding of its risk profile. This process needs to prevent an undertaking from simply relying upon regulatory capital requirements as being adequate for its business.	1.93. The assessment of the significance with which the risk profile of the undertaking deviates from the assumptions underlying the SCR calculation is an important tool in ensuring that the undertaking understands the assumptions underlying its SCR calculation and considers whether those assumptions are appropriate. To do this, the undertaking will have to compare those assumptions with its own understanding of its risk profile. This process needs to prevent an undertaking from simply relying upon regulatory capital requirements as being adequate for its business.	No change to paragraph
4.50. In order to help standard formula users in the assessment, information on the assumptions on which the SCR calculation is based will be made available to undertakings.	1.94. In order to help standard formula users in the assessment, information on the assumptions on which the SCR calculation is based will be made available to undertakings.	No change to paragraph
4.51. If the standard formula is used, the undertaking has to assess the material deviations of its specific risk profile against the relevant assumptions underlying the (sub) modules of the SCR calculation according to the standard formula, the correlations between the (sub) modules and the building blocks of the (sub) modules.	1.95. If the standard formula is used, the undertaking has to assess the material deviations of its specific risk profile against the relevant assumptions underlying the (sub) modules of the SCR calculation according to the standard formula, the correlations between the (sub) modules and the building blocks of the (sub) modules.	No change to paragraph
4.52. The areas in which differences between the undertaking's risk profile and the assumptions underlying the SCR calculation may arise to which the undertaking needs to give due consideration are: from risks that are under/overestimated by the standard formula compared to the risk profile. The assessment process includes: a) An analysis of the risk profile and an assessment of the reasons why the standard formula is appropriate, including a ranking of risks;	1.96. The areas in which differences between the undertaking's risk profile and the assumptions underlying the SCR calculation may arise to which the undertaking needs to give due consideration are: from risks that are not considered in the standard formula and from risks that are under/overestimated by the standard formula compared to the risk profile. The assessment process includes: a) An analysis of the risk profile and an assessment of the reasons why the standard formula is appropriate, including a ranking of risks;	More clear language with respect to saying risks that are not considered in the standard formula rather than those that are under/overestimated by the standard formula.

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
b) An analysis of the sensitivity of the standard formula to changes in the risk profile, including the influence of reinsurance arrangements, diversification effects and the effects of other risk mitigation techniques; c) An assessment of the sensitivities of the SCR to the main parameters, including undertaking-specific parameters; d) An elaboration on the appropriateness of the parameters of the standard formula or of undertaking-specific parameters; e) An explanation why the nature, scale and complexity of the risks justify any simplifications used; and f) An analysis of how the results of the standard formula are used in the decision making process.	b) An analysis of the sensitivity of the standard formula to changes in the risk profile, including the influence of reinsurance arrangements, diversification effects and the effects of other risk mitigation techniques; c) An assessment of the sensitivities of the SCR to the main parameters, including undertaking-specific parameters; d) An elaboration on the appropriateness of the parameters of the standard formula or of undertaking-specific parameters; e) An explanation why the nature, scale and complexity of the risks justify any simplifications used; and f) An analysis of how the results of the standard formula are used in the decision making process.	
4.53. If the outcome of this qualitative and quantitative assessment is that there are significant deviations between the risk profile of the undertaking and the SCR calculation, the undertaking needs to consider how this could be addressed. It could decide to align its risk profile with the standard formula, to use undertaking-specific parameters, where this is allowed, or to develop a (partial) internal model. Alternatively, the undertaking could decide to de-risk.	1.97. If the outcome of this qualitative and quantitative assessment is that there are significant deviations between the risk profile of the undertaking and the SCR calculation, the undertaking needs to consider how this could be addressed. It could decide to align its risk profile with the standard formula, to use undertaking-specific parameters, where this is allowed, or to develop a (partial) internal model. Alternatively, the undertaking could decide to de-risk.	No change to paragraph
4.54. It is unlikely that the undertaking can determine whether the risk profile deviates significantly from the assumptions underlying the SCR by comparing the amount of the overall solvency needs as identified through the ORSA with the SCR. Since overall solvency needs and SCR can be calculated on different bases and may include different items, the amounts produced will not be readily comparable. There are a number of reasons that could account for the differences that have nothing to do with deviations of the risk profile, such as: a) The undertaking may operate at a different confidence level or risk measure for business purposes compared to the assumptions on which the SCR calculation is based. For instance, it may choose to hold own funds for rating purposes, which represents a higher confidence level than that used to calibrate the SCR.	1.98. It is unlikely that the undertaking can determine whether the risk profile deviates significantly from the assumptions underlying the SCR by comparing the amount of the overall solvency needs as identified through the ORSA with the SCR. Since overall solvency needs and SCR can be calculated on different bases and may include different items, the amounts produced will not be readily comparable. There are a number of reasons that could account for the differences that have nothing to do with deviations of the risk profile, such as: a) The undertaking may operate at a different confidence level or risk measure for business purposes compared to the assumptions on which the SCR calculation is based. For instance, it may choose to hold own funds for rating purposes, which represents a higher confidence level than that used to calibrate the SCR.	No change to paragraph

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
b) The undertaking may use a time horizon for its business planning purposes that differs from the time horizon underlying the SCR. c) In the ORSA the undertaking may consider any agreed management actions that could influence the risk profile.	b) The undertaking may use a time horizon for its business planning purposes that differs from the time horizon underlying the SCR. c) In the ORSA the undertaking may consider any agreed management actions that could influence the risk profile.	
4.55. Where the undertaking uses an internal model for the calculation of the SCR, the internal model needs to play an important role in the ORSA.	1.99. Where the undertaking uses an internal model for the calculation of the SCR, **the undertaking needs to demonstrate that the** internal model plays an important role in the ORSA **as set out in Article 120 of the Solvency II Directive**.	Minor wording changes and clarifications.
4.56. The requirements and expectations associated with the ORSA apply to standard formula users and internal model users alike. However, owing to the specific requirements attached to the approval of internal models for the calculation of the SCR, the requirements on the ORSA have different implications to internal model users.		Explanatory Text removed / Re-structure of paragraphs in final advice
4.57. An internal model is in itself a tool for the ORSA and the ORSA is a tool for the internal model in the sense that the performance of the ORSA gives input to the on-going exercise of ensuring compliance with the tests and standards. According to the requirements, internal model users have to comply, at the approval date and in an on-going concern, with the use test, statistical quality standards, calibration standards, profit and loss attribution test, validation standards and documentation standards. Each feature of the ORSA could play an important role in this exercise.	1.100. An internal model is in itself a tool for the ORSA and the ORSA is a tool for the internal model in the sense that the performance of the ORSA gives input to the on-going exercise of ensuring compliance with the tests and standards. According to the requirements, internal model users have to comply, at the approval date and in an on-going concern, with the use test, statistical quality standards, calibration standards, profit and loss attribution test, validation standards and documentation standards. Each feature of the ORSA could play an important role in this exercise.	No change to paragraph
4.58. This means that an undertaking needs to demonstrate, annually that the standards required for the approval of the internal model are still met. This is either: a) Done in the ORSA process and used for on-going compliance with tests and standards of internal models; or b) Done separately for on-going compliance with tests and standards of internal models and then used in the ORSA.		Explanatory Text removed / Re-structure of paragraphs in final advice
4.59. From an ORSA perspective the important point is that this assessment is done and there is no requirement for repetition of the same tasks.		Explanatory Text removed / Re-structure of paragraphs in final advice

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
4.60. To pass the use test, approved internal models must play an important role in the ORSA. This does not necessarily mean that the assessment of the overall solvency needs is solely accomplished by running the internal model. The undertaking also has to consider whether the undertaking is exposed to any risks other than those addressed through the internal model and whether the internal model deals with the risks it covers appropriately. 4.61. In this context, the ORSA includes the assessment of: a) the impact of the excluded risks or lines of business on the solvency position; c) the interrelationship between risks which are in and outside the scope of the model; d) the impact of a partial model on the non-modelled part and on the integration techniques (of partial internal model and standard formula), since the partial internal model has an impact on the entire solvency position; e) the impact of minor changes done to the model.	1.101. To pass the use test, approved internal models must play an important role in the ORSA. This does not necessarily mean that the assessment of the overall solvency needs is solely accomplished by running the internal model. ~~The undertaking also has to consider whether the undertaking is exposed to any risks other than those addressed through the internal model and whether the internal model deals with the risks it covers appropriately.~~ In this context, the ORSA includes the assessment of: a) the impact of the excluded **material** risks or **major** lines of business on the solvency position **in the case of partial internal model**; b) the interrelationship between risks which are in and outside the scope of the model; and **c) the identification of risks other than those covered by the internal model, which may trigger a change to the internal model.**	Removal of redundant text. Merged paragraphs. Clarified that requirements apply for excluded "material" risks or "major" lines of business Rationalized text and numbering.
4.62. Although an internal model will reflect the undertaking's risk profile at the time of approval, this may diverge over time as the risk profile of the undertaking evolves. Despite the requirement on the AMSB to ensure the ongoing appropriateness of the internal model (Article 120), it may not have been updated or changed in a timely manner.	1.102. Although an internal model will reflect the undertaking's risk profile at the time of approval, this may diverge over time as the risk profile of the undertaking evolves. Despite the requirement on the AMSB to ensure the ongoing appropriateness of the internal model (Article 120), it may not have been updated or changed in a timely manner.	No change to paragraph
4.63. The undertaking has to assess the assumptions underlying its calculation of the SCR according to its internal model in order to ensure they remain adequate and that the internal model continues to appropriately reflect its risk profile.	1.103. The undertaking has to assess the assumptions underlying its calculation of the SCR according to its internal model in order to ensure they remain adequate and that the internal model continues to appropriately reflect its risk profile.	No change to paragraph

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
4.64. If a full or a partial internal model is used, this particular process could include: a) An analysis of the risk profile and an assessment of the reasons why the internal model is appropriate, including a ranking of the risks within the scope of the internal model; b) An analysis of the sensitivity of the results of the internal model to changes in the risk profile, including the influence of reinsurance arrangements, diversification effects and the effects of other risk mitigation techniques; c) An assessment of the sensitivities of the SCR regarding the calibration of the internal model and an elaboration on the appropriateness of the calibration; d) An analysis of how compliance with the use test is achieved.	Please refer to 1.96 for a part coverage of this guideline	Re-structure of paragraphs in final advice
4.65. The undertaking demonstrates within the ORSA that the standards required for the approval of the internal model are still met. It is also required to identify instances for which a risk of non-compliance would arise.		Explanatory Text removed / Re-structure of paragraphs in final advice
4.66. Within the ORSA, model error needs to be addressed. For example, the performance of sensitivity analyses provides understanding of which parameters of the internal model are critical and the impact that an error could have on the capital requirement calculations.		Explanatory Text removed / Re-structure of paragraphs in final advice
4.67. Where an undertaking has identified limitations of its internal model in particular circumstances (as required by Article 125), it explains in the ORSA why it considers these circumstances are unlikely to happen within a short timeframe or that it has taken appropriate measures to adapt its model to these particular circumstances. The model errors associated with these limitations have to be addressed, especially when there is a significant probability that they will crystallize.		Explanatory Text removed / Re-structure of paragraphs in final advice
4.68. Stress testing and scenario analyses are necessary in order to validate and understand the limitations of the undertaking's models, if any, and to assess the risks that are not included quantitatively in the internal model. Those will often be useful in order to confirm that quantifiable risks affecting the own funds that were not significant when the model was approved remain not significant.		Explanatory Text removed / Re-structure of paragraphs in final advice

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
Guideline 14- Link to the strategic management process and decision-making framework	**Guideline 13 – Link to the strategic management process and decision-making framework**	**EIOPA clarifies that the insights from the ORSA are expected to be included in the ORSA report. No material text changes.**
The undertaking should take the results of the ORSA and the insights gained in the process into account at least for the system of governance including long term capital management, business planning and product development and design.	The undertaking should take the results of the ORSA and the insights gained in the process into account at least for the system of governance including **medium term** capital management, business planning and product development and design.	Changed "long term" capital management for "medium term" capital management.
4.69. In deciding on the business strategy the undertaking has to take into account the output from the ORSA.	1.104. In deciding on the business strategy the undertaking has to take into account the output from the ORSA.	No change to paragraph
4.70. As an integral part of the business strategy, an undertaking needs to have in place its own strategies for managing its overall solvency needs and regulatory capital requirements and integrating this with the management of all material risks to which it is exposed. Hence the ORSA feeds into the management of the business, in particular into the strategic decisions, operational and management processes.	1.105. As an integral part of the business strategy, an undertaking needs to have in place its own strategies for managing its overall solvency needs and regulatory capital requirements and integrating this with the management of all material risks to which it is exposed. Hence the ORSA feeds into the management of the business, in particular into the strategic decisions, operational and management processes.	No change to paragraph
4.71. The ORSA is required to reflect the business strategy. When performing the ORSA, the undertaking hence takes into account the business strategy and any strategic decisions influencing the risk situation and regulatory capital requirement, as well as overall solvency needs. In reverse, the AMSB needs to be aware of the implications strategic decisions have on the risk profile and regulatory capital requirements and overall solvency needs of the undertaking and to consider whether these effects are desirable, affordable and feasible given the quantity and quality of its own funds. Any strategic or other major decisions that may materially affect the risk and/or own funds' position of the undertaking need to be considered through the ORSA process before such a decision is taken. This does not require a full performance of the ORSA: the undertaking considers how the output of the last assessment of the overall solvency needs would change if certain decisions were taken and how these decisions would affect the regulatory capital requirements.	1.106. The ORSA is required to reflect the business strategy. When performing the ORSA, the undertaking hence takes into account the business strategy and any strategic decisions influencing the risk situation and regulatory capital requirement, as well as overall solvency needs. In reverse, the AMSB needs to be aware of the implications strategic decisions have on the risk profile and regulatory capital requirements and overall solvency needs of the undertaking and to consider whether these effects are desirable, affordable and feasible given the quantity and quality of its own funds. Any strategic or other major decisions that may materially affect the risk and/or own funds' position of the undertaking need to be considered through the ORSA ~~process~~ before such a decision is taken. This does not require a full performance of the ORSA: the undertaking considers how the output of the last assessment of the overall solvency needs would change if certain decisions were taken and how these decisions would affect the regulatory capital requirements.	Removed the word "process".

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
4.72. Where the undertaking is relying on management processes, in particular systems and controls in order to mitigate risks, it considers the effectiveness of those systems and controls in a stress situation.	1.107. Where the undertaking is relying on management processes, in particular systems and controls in order to mitigate risks, it considers the effectiveness of those systems and controls in a stress situation.	No change to paragraph
Guideline 15- Frequency of the ORSA	Guideline 14 – Frequency of the ORSA	**Text of guideline itself has not changed but clarity provided in underlying paragraphs that different reference dates for the ORSA can be used from that of the SCR as long as there has been no material change in the risk profile.**
The undertaking should perform the ORSA at least annually. Notwithstanding this, the undertaking has to establish the frequency of the assessment itself particularly taking into account its risk profile and the volatility of its overall solvency needs relative to its capital position. The undertaking should justify the adequacy of the frequency of the assessment.	The undertaking should perform the ORSA at least annually. Notwithstanding this, the undertaking has to establish the frequency of the assessment itself particularly taking into account its risk profile and the volatility of its overall solvency needs relative to its capital position. The undertaking should justify the adequacy of the frequency of the assessment.	No change to guideline
4.73. The ORSA has to be performed on a regular basis and in any case directly following any significant change in the risk profile of the undertaking.	1.108. The ORSA has to be performed on a regular basis and in any case directly following any significant change in the risk profile of the undertaking.	No change to paragraph
4.74. The undertaking decides when to perform the regular ORSA as long as it triggers a SCR calculation.	1.109. The undertaking decides when to perform the regular ORSA **which as a rule needs to use the same reference date** as the SCR calculation, **but different reference dates could be acceptable if there has been no material change in the risk profile between them.**	Clarity provided that different reference dates can be used as long as there has been no material change to the risk profile in this time.
4.75. The ORSA performed after any significant change of the risk profile is called a non-regular ORSA. In this regard undertakings are expected to use their experience from stress tests and scenario analyses to determine whether changes in external factors could impact the undertaking's risk profile significantly.	1.110. The ORSA performed after any significant change of the risk profile is called a non-regular ORSA. In this regard undertakings are expected to use their experience from stress tests and scenario analyses to determine whether changes in external factors could impact the undertaking's risk profile significantly.	No change to paragraph
4.76. Such changes may follow from internal decisions and external factors. Examples are: the start-up of new lines of business; major amendments to approved risk tolerance limits or reinsurance arrangements, portfolio transfers or major changes to the mix of assets.	1.111. Such changes may follow from internal decisions and external factors. Examples are: the start-up of new lines of business; major amendments to approved risk tolerance limits or reinsurance arrangements, **internal model changes**, portfolio transfers or major changes to the mix of assets.	Accepted that Internal Model changes should be considered a trigger event.
Section IV: Group specificities of the ORSA	**Section VI: Group specificities of the ORSA**	

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
Guideline 16- Scope of the group ORSA	**Guideline 15 – Scope of the group ORSA**	**Resisted any major changes to wording. EIOPA believes that unregulated entities can generate risks in the group that should be taken into account and the scope of the Group includes all entities, irrespective if they are material or not. A group ORSA only needs to be performed for a (re) insurance group.**
The group should design the group ORSA to reflect the nature of the group structure and its risk profile. All of the entities that fall within the scope of the group supervision should be included within the scope of the group ORSA. This includes both (re)insurance and non-(re) insurance undertakings, both regulated and non-regulated (unregulated) entities, situated in the EEA and outside the EEA.	The group should design the group ORSA to reflect the nature of the group structure and its risk profile. All of the entities that fall within the scope of the group supervision should be included within the scope of the group ORSA. This includes insurance, reinsurance and non-insurance undertakings and both regulated and non-regulated (unregulated) entities, situated in the EEA and outside the EEA.	Minor wording changes
4.77. The group ORSA adequately captures all specificities of the group, including at least a) risks specific to the group (e.g. Stemming from non-regulated entities, interdependencies within the group and their impact on the group's risk profile); b) risks that might not be taken into account at solo level, but have to be taken into consideration at group level (e.g. contagion risks); c) differences between undertakings of the group, such as business strategy, business planning period and risk profile.	1.112. The group ORSA adequately captures all specificities of the group, including at least a) risks specific to the group (e.g. stemming from non-regulated entities, interdependencies within the group and their impact on the group's risk profile); b) risks that might not be taken into account at individual level, but have to be taken into consideration at group level (e.g. contagion risks); c) differences between undertakings of the group, such as business strategy, business planning period and risk profile; **d) national specificities, their effects and reflection on group level.**	Included additional Group specificities on national effects and refection at Group level.
4.78. The participating insurance or reinsurance undertaking or insurance holding company responsible for the group ORSA needs to ensure that all the necessary information for carrying out the group ORSA and the ORSA results are reliable.	1.113. The participating insurance or reinsurance undertaking or insurance holding company responsible for the group ORSA needs to ensure that all the necessary information for carrying out the group ORSA and the ORSA results are reliable.	No change to paragraph
	1.114. The reference to (re)insurance undertakings covers all entities taking-up insurance or reinsurance activities including captive (re)insurance undertakings.	New paragraph to clarify scope of entities that include captives.

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
4.79. Although third-country undertakings are not required to produce a solo ORSA, they have to be included in the group ORSA. In fact, it is for this reason that third country undertakings are of particular importance to the group ORSA, especially where the third country undertakings are managed separately from the wider group.	1.115. Although third-country undertakings are not required to produce a solo ORSA, they have to be included in the group ORSA, **if they fall within the scope of group supervision.** ~~In fact, it is for this reason that third country undertakings are of particular importance to the group ORSA, especially where the third country undertakings are managed separately from the wider group.~~	Removal of redundant text.
4.80. Groups need to take account of any restrictions or challenges to the assessment at group level that may arise from third country undertakings. For example, this might include any impediments to accessing information and restrictions on the timeliness of information to be provided by undertakings.	1.116. Groups need to take account of any restrictions or challenges to the assessment at group level that may arise from third country undertakings. For example, this might include any impediments to accessing information and restrictions on the timeliness of information to be provided by the undertakings.	No change to paragraph
4.81. The group ORSA assesses all risks arising from regulated non (re) insurance entities within the group, since these entities contribute to the group solvency proportionate to the share held by the participating undertaking in accordance with Article 221.	1.117. The group ORSA assesses all material risks arising from regulated non-(re)insurance entities within the group, since these entities contribute to the group solvency proportionate to the share held by the participating undertaking in accordance with Article 221.	No change to paragraph
4.82. The group ORSA is designed to reflect the nature of the group structure and its risk profile. For example, the group ORSA results are likely to be different for a group with predominantly banking/credit business and a relatively small insurance subgroup and a large insurance group that writes only insurance business in view of the different dimension of the risk profiles arising from the different nature, business strategies and risk drivers faced by the two different groups.		Explanatory Text removed / Re-structure of paragraphs in final advice
4.83. Whilst unregulated entities are not subject to solo supervision and are not expected to perform ORSA at the solo level, they have to be included in the scope of group ORSA.	1.118. Whilst unregulated entities are not subject to solo supervision and are not expected to perform ORSA at the **individual** level, they have to be included in the scope of group ORSA **if they fall within the scope of Group supervision."**	Minor wording changes and clarifications.
4.84. The nature of the assessment with respect to unregulated entities will depend on the nature of each unregulated entity and its role within the group. The core of this principle is to take account of the fact that different unregulated entities could have different roles within a group and the overall group risk profile has to reflect the nature of the role of a particular unregulated entity.	1.119. The nature of the assessment with respect to unregulated entities will depend on the nature, **size and complexity** of each unregulated entity and its role within the group. ~~The core of this principle is to take account of the fact that different unregulated entities could have different roles within a group and the overall group risk profile has to reflect the nature of the role of a particular~~	Removal of redundant text. Minor wording changes and clarifications.

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
Some unregulated entities (e.g. ultimate parent undertakings) may play a very important role in setting the strategy and hence risk profile at the group level which is implemented throughout the group. On the other hand, insurance holding companies may exist solely to acquire holdings in subsidiaries as set out in Article 212(1)(f). The group ORSA will have to be dynamic enough to capture the different nature of material risks from all unregulated entities within the scope of the group.	~~unregulated entity.~~ Some unregulated entities may play a very important role in setting the strategy and hence risk profile at the group level which is implemented throughout the group. On the other hand, **unregulated entities** such as insurance holding companies may **be just instrumental (e.g. to acquire holdings in subsidiaries as set out in Article 212(1)(f)).** The group ORSA will have to be dynamic enough to capture the different nature of material risks from all unregulated entities within the scope of the group.	
Guideline 17- Reporting to the supervisor	**Guideline 16 – Reporting to the supervisory authorities**	**No wording has been included on "sub groups" as EIOPA makes it clear that there is no "sub groups", just solo ORSA + group ORSA or single ORSA document.** **The term "group wide ORSA" has been replaced with the words "single ORSA document".**
The report sent to the group supervisor with the outcome of the group ORSA is the ORSA supervisory report at the level of the group and should be in the same language as the group Regular Supervisory Reporting. In case of a group-wide ORSA, where any of the subsidiaries has its head office in a Member State whose official languages are different from the languages in which the group-wide ORSA is reported, the supervisory authority concerned may, after consulting the group supervisor and the college of supervisors, require the undertaking to include a translation of the part of the ORSA information concerning the subsidiary into an official language of that Member State unless exemption has been granted by the supervisory authority concerned	The **document** sent to the group supervisor with the outcome of the group ORSA ~~is the ORSA supervisory report at the level of the group and~~ should be in the same language as the group Regular Supervisory Reporting. In case of a ~~group-wide ORSA~~ **single ORSA document**, where any of the subsidiaries has its head office in a Member State whose official languages are different from the languages in which the ~~group-wide ORSA~~ **single ORSA document** is reported, the supervisory authority concerned may, after consulting the group supervisor, the college of supervisors **and the group itself**, require the undertaking to include a translation of the part of the ORSA information concerning the subsidiary into an official language of that Member State ~~unless exemption has been granted by the supervisory authority.~~	Minor wording changes

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
4.85. Specifically, the following two situations could arise: a) The participating undertaking does not apply for the group wide ORSA. In this case, the parent undertaking performs the ORSA at the level of the group and the solo undertaking performs its individual ORSA. b) The parent undertaking opts for a group wide ORSA. In this case a single ORSA supervisory report has to be provided. Nevertheless compliance with Article 45 needs to be ensured by the subsidiaries concerned. It is required in the Directive that the document has to be submitted to all supervisory authorities concerned. This applies to the regular ORSA report and also for reports following predefined events.	1.121. Specifically, the following two situations could arise: a) The participating undertaking does not apply for the single ORSA document. In this case, the participating insurance or reinsurance undertaking or the insurance holding company performs the ORSA at the level of the group and the individual undertaking performs its individual ORSA. b) The participating insurance or reinsurance undertaking or the insurance holding company opts for a single ORSA document. In this case a single ORSA supervisory report has to be provided. Nevertheless compliance with Article 45 needs to be ensured by the subsidiaries concerned. It is required in the Directive that the document has to be submitted to all supervisory authorities concerned. This applies to the regular ORSA report and also for reports following predefined events.	Minor wording changes
Guideline 18- Assessment of overall solvency needs	**Guideline 17 – Assessment of overall solvency needs**	**Guideline 18 and 19 have been combined.**
The group ORSA should adequately identify, measure, monitor, manage and report all group specific risks and the interdependencies within the group and their impact on the group risk profile. This should take into consideration the specificities of the group and the fact that some risks may be scaled up at the level of the group.	The group ORSA should adequately identify, measure, monitor, manage and report all group specific risks and the interdependencies within the group and their impact on the group risk profile. This should take into consideration the specificities of the group and the fact that some risks may be scaled up at the level of the group. The group should explain the key drivers of the overall solvency needs of the group including any diversification effects assumed.	Combined with guideline 18.
4.86. The group ORSA identifies the impact on the group solvency and related undertakings arising from all risks that the group is facing. In addition to risks considered in the SCR calculation, all risks including group specific risks particularly risks that are not easily quantifiable, have to be taken into consideration.	1.122. The group ORSA identifies the impact on the group solvency and related undertakings arising from all material risks that the group is facing. In addition to risks considered in the SCR calculation, all material risks including group specific risks particularly risks that are not easily quantifiable, have to be taken into consideration.	Made explicit that the assessment should cover all "material" risks.
4.87. The group ORSA describes the interrelationships between the risks of the parent undertaking and of the solo undertakings.	1.123. The group ORSA describes the interrelationships between the risks of the participating insurance or reinsurance undertaking or the insurance holding company and of the individual undertakings.	Minor wording changes

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
4.88. The group ORSA also assesses the materiality of risks that arise at the level of the group and are specific for groups and thus cannot be identified at the solo level. Hence those group specific risks, are not taken into account in the consolidation or aggregation process depending on the choice of calculation method used.	1.124. The group ORSA also assesses the materiality of risks that arise at the level of the group and are specific for groups and thus cannot be identified at the individual level. Hence those group specific risks are not taken into account in the consolidation or aggregation process depending on the choice of calculation method used.	Minor wording changes
4.89. The group specific risks include at least: a) contagion risk (spill-over effect of risks that have manifested in other parts of the group); b) risks arising from intra-group transactions and risk concentration, notably in relation to: (i) participations; (ii) intra-group reinsurance or internal reinsurance; (iii) intra-group loans; (iv) intra-group outsourcing; c) interdependencies within the group and their impact in the group risk profile; d) currency risk; e) risks arising from the complexity of the group structure.	1.125. The group specific risks include at least: a) contagion risk (spill-over effect of risks that have manifested in other parts of the group; b) risks arising from intra-group transactions and risk concentration, notably in relation to: (i) participations; (ii) intra-group reinsurance or internal reinsurance; (iii) intra-group loans; (iv) intra-group outsourcing; c) interdependencies within the group and their impact in the group risk profile; d) currency risk; e) risks arising from the complexity of the group structure.	No change to paragraph
Guideline 19- Assessment of overall solvency needs		**This guideline has merged with Guideline 17 to become: Guideline 17 - Assessment of the overall solvency needs.** **The 'Guideline description' is embedded in the description of the 'Final Guideline description' of Guideline 18, however this row will remain to maintain correspondence with the analysis.**
4.90. In addition to the information required in 3.14 at the group level, the group ORSA document includes: a) a description of the materiality of each related entity at the group level, particularly the contribution of each related entity to the overall group risk profile. b) where the accounting consolidation method is used, outcome of the comparison between the group SCR and the sum of the solo SCRs and assessment of any diversification effects assumed at the group level.	1.126. In addition to the information required in 1.23 at the group level, the group ORSA document includes: a) a description of the materiality of each related entity at the group level, particularly the contribution of each related entity to the overall group risk profile. b) ~~where the accounting consolidation method is used,~~ **the outcome of the comparison between the group overall solvency needs** and the sum of the solo **overall solvency needs;** and assessment of any diversification effects assumed at the group level.	Made clear that Group ORSA comparison with sum of solo ORSA is on overall solvency needs not SCRs.

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
4.91. A group specific component of the group ORSA, compared to the solo ORSA, is the analysis of diversification effects assumed at group level. In particular where the accounting consolidation method is used, this includes analysis of the reasonableness of the diversification effects assumed at the group level (i.e. the difference between the group SCR and the sum of solo SCRs) compared to the risk profile of the group and the overall solvency needs of the group.	1.127. A group specific component of the group ORSA, compared to the solo ORSA, is the analysis of diversification effects assumed at group level. ~~In particular where the accounting consolidation method is used~~, this includes analysis of the reasonableness of the diversification effects assumed at the group level ~~(i.e. the difference between the group SCR and the sum of solo SCRs)~~ compared to the risk profile of the group and the overall solvency needs of the group.	Removed redundant text.
4.92. The analysis of the diversification effects at group level generally includes: a) determine the difference between group SCR and sum of the solo SCRs. b) objective and economic allocation of the difference in (a) above to each entity of the group, taking into account any ring fencing arrangements that may exist at the group level. c) appropriate sensitivity analysis, stress and scenario tests (e.g. how an envisaged material change in the group structure such as selling some related entities may impact on the diversification effects at group level and the overall group solvency). d) consistency of diversification effects assumed between different related entities of a group and for each related entity, the consistency of diversification effects assumed between different risk drivers.	1.128. The analysis of the diversification effects at group level generally includes: a) To determine the difference between the group **overall solvency needs** and sum of the solo **overall solvency needs**. b) objective and economic allocation of the difference in (a) above to each entity of the group, taking into account any ring fencing arrangements that may exist at the group level. c) appropriate sensitivity analysis, stress and scenario tests (e.g. how an envisaged material change in the group structure such as selling some related entities may impact on the diversification effects at group level and the overall group solvency). d) consistency of diversification effects assumed between different related entities of a group and for each related entity, the consistency of diversification effects assumed between different risk drivers.	Made clear that Group ORSA comparison with sum of solo ORSA is on overall solvency needs not SCRs.
Guideline 20- Forward-looking perspective	**Guideline 18- General rule for group ORSA**	**EIOPA agrees that no guideline was necessary to define what planning horizon is adequate for group (there will be no requirement to harmonise business planning periods throughout the group). Guideline 20 text has been deleted.** **New text has been added outlining what the Group Record should contain. The required content of this record has leveraged text previously included in paragraph 4.93**

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
In the context of the group ORSA the group should set the business planning period underlying the group ORSA and explain how the different business planning periods used by group undertakings on the solo level influence the group's forward-looking perspective.	**The record of the group ORSA should include, in accordance with Guideline 5, a description on how the following factors were taken into consideration in the forward-looking perspective:** 1. identification of the sources of own funds within the group if additional new own funds are necessary; 2. the assessment of availability, transferability and fungibility of own funds; 3. references to any planned transfer of own funds within the group and its consequences; 4. alignment of individual strategies with those that are established at the level of the group; and 5. specific risks the group could be exposed to.	Consolidated guideline with new text on Group record with information from paragraph 4.93
4.93. The challenges associated with the performance of the group ORSA in respect of a forward-looking perspective include, amongst other internal and external factors: a) identification of the sources of own funds within the group if additional new own funds are necessary; b) the assessment of availability/transferability/fungibility of own funds; c) references to any planned transfer of own funds within the group and its consequences; d) alignment of individual strategies with those that are established at the level of the group; and e) specific risks the group could be exposed to.		
4.94. From a quantitative perspective, it is expected that the group ORSA policy outlines different stress tests and scenario analyses. At the level of the group, such tests include additionally the risks that are specific to groups or materialise only at group level.	1.129. From a quantitative perspective, it is expected that the group ORSA policy outlines different stress tests and scenario analyses. At the level of the group, such tests include additionally the risks that are specific to groups or materialise only at group level.	No change to paragraph
Guideline 21- Internal model users	**Guideline 19 – Specific requirements for a single ORSA document covering the participating insurance or reinsurance undertaking or the insurance holding company and any subsidiary in the group**	**The text provides more references to the original articles of the Directive and a number of new paragraphs have been introduced to clarify this requirement.** **The focus of these new paragraphs emphasize that the Group should understand and document the reasons why certain entities are not included in the Group model and the impact this has had on Group solvency.**
Where the group internal model is used in the solvency assessments both at the group and solo undertakings levels, the group should identify entities (if any) which do not use the group internal model and the underlying reasons in the group ORSA's report.	**In the case of using internal models, both to calculate only the group Solvency Capital Requirement under Article 230 of the Directive or group internal models under Article 231 of the Directive**, the group should indicate the related undertakings within the scope of the ~~group~~ which do not use the group internal model for the calculation of their Solvency Capital Requirement **and the underlying reasons for that in the group ORSA report.**	Updated wording.

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
	1.132. The description of differences between the risk profile of the group and the group SCR calculated by the group internal model, and demonstration of the awareness of that fact from group perspective, are similar to those required at individual level.	New paragraph
	1.133. The group ORSA specifically includes the assessment of whether the risk profiles of the entities whose SCR is not calculated by the group model are reflected adequately in the group SCR.	New paragraph
4.95. In addition to the requirements under Guideline 13 in respect of internal model users, the group ORSA report also includes a description of the scope of the group internal model in particular the entities that are included in/excluded from the scope of the group internal model and the suitability or otherwise of the group internal model/ standard formula for these entities.	1.134. The relation between the internal model used for the calculation of group solvency and the group ORSA, depends on the scope of this internal model. The following special situations need to be considered: a) some related undertakings are excluded from the scope of the internal model for the calculation of group solvency; b) some related undertakings are included in the scope of the internal model for the calculation of group solvency, but their Solvency Capital Requirement is not calculated with this internal model.	Paragraph re-written
	1.135. In the first case some undertakings might be excluded from the scope of the group internal model. The scope of the model is covered by the approval process of the model itself. In this case, the group ORSA contains certain information on the non-modelled part of the group: a) an assessment of the non-modelled part of the group; b) the impact of the non-modelled part on the group solvency position; c) the relationship with the modelled part.	New paragraph
	1.136. The group ORSA addresses all issues which are not included in the scope of the model but which have an impact on the group financial position.	New paragraph

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
	1.137. In the second case the group ORSA includes the assessment of: a) deviations which are a consequence of using a standard formula or another model (different from the group internal model) based on different assumptions from the group internal model; b) possible interactions between entities whose SCR is calculated by the group model and entities whose SCR is calculated by the standard formula (those interactions are expected to be taken into account in calculations of SCR of entities using the group internal model); c) whether the risk profiles of the entities whose SCR is not calculated by the group model are nevertheless reflected adequately in the group SCR.	New paragraph
	1.138. The appropriateness of the standard formula or another model for the individual level is also addressed in the group ORSA. Additionally, the group ORSA assesses the rationale for not using the group model to calculate the solo SCR of every undertaking that is part of the group.	New paragraph
	1.139. When an internal model is used, certain issues which are negligible from the group perspective can be significant at the individual level. Therefore, the group ORSA should pay a special attention to such a situation. Material risks which are not properly addressed in the standard formula at the group level are in principle covered by the group internal model, which calculates capital requirements for the group.	New paragraph

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
Guideline 22- Criteria and principles for a single ORSA document (group wide ORSA) covering the parent undertaking and its subsidiaries	**Cf. above – Guideline 19**	**The wording of the guideline has changed to make it clear that this refers to when the Group are applying to submit a single ORSA document rather when they are submitting their single ORSA document.** **Underlying paragraph changes also include a change of focus of the AMSB approval to apply for a single ORSA document. This is more focused on the ability of the single ORSA document to satisfy the condition of representing each entity's ORSA separately within the document rather than on the scope of the Internal Model.**
When submitting a single ORSA document, subject to the agreement of the group supervisor, the group should provide an explanation on how the subsidiaries are covered and how the subsidiaries' administrative, management or supervisory body is involved in the assessment process and approval of the outcome.	When **applying to submit** a single ORSA document, ~~subject to agreement of the group supervisor~~, the group should provide an explanation on how the subsidiaries are covered and how the subsidiaries' administrative, management or supervisory body is involved in the assessment process and approval of the outcome.	Changed to make clear that the guideline is in relation to the application.
4.96. Where groups apply to submit a single ORSA document, this document needs to reflect the nature, scale and complexity of the group and the risks within it. The single ORSA document focuses on the material parts of the group, but according to Article 246(4) it does not exempt subsidiaries from the obligations relating to the ORSA at solo level. This means that the single ORSA document also has to document the assessments undertaken by insurance and reinsurance subsidiary undertakings at the solo level under Article 45.	1.130. ~~Where groups apply to submit a single ORSA document.~~ The single ORSA document needs to reflect the nature, scale and complexity of the group and the risks within it. The single ORSA document focuses on the material parts of the group, but according to Article 246(4) it does not exempt subsidiaries from the obligations relating to the ORSA at **individual** level. This means that the single ORSA document also has to document the assessments undertaken by insurance and reinsurance subsidiary undertakings at the **individual** level under Article 45.	Minor wording changes

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
4.97. If a group plans to submit a single group ORSA report, the administrative, management or supervisory body of the group needs to take into consideration the following criteria when assessing the appropriateness of submitting a single group ORSA document: a) where relevant, the appropriateness of the scope of the internal model (e.g. if a group internal model is used to calculate both group and subsidiaries' SCR)); b) consistency of the business planning periods, risk measures, levels of confidence, processes and reporting dates for similar business lines at the group and solo levels; c) the results of each subsidiary concerned are individually identifiable in the foreseen structure of the single ORSA document to enable a proper supervisory review process to be carried out at the solo level by the solo supervisors concerned; d) the single ORSA report satisfies the requirements of both the group supervisor as well as the solo supervisors concerned.	1.131. If a group plans to submit a single group ORSA report, the administrative, management or supervisory body of the group needs to take into consideration the following criteria when assessing the appropriateness of submitting a single group ORSA document: ~~a) where relevant, the appropriateness of the scope of the internal model (e.g. if a group internal model is used to calculate both group and subsidiaries' SCR));~~ ~~b) consistency of the business planning periods, risk measures, levels of confidence, processes and reporting dates for similar business lines at the group and solo levels;~~ a) the results of each subsidiary concerned are individually identifiable in the foreseen structure of the single ORSA document to enable a proper supervisory review process to be carried out at the individual level by the individual supervisors concerned; b) the single ORSA report satisfies the requirements of both the group supervisor as well as the individual supervisors concerned.	Changed focus of AMSB approval to apply for a single ORSA document.
Guideline 23 - Link to strategic decisions		**Guideline has been removed.**
Where groups report their group ORSA in other additional formats such as according to material business units in their single group wide ORSA report, they should ensure that there is adequate and clearly identifiable documentation for each solo undertaking.	~~Where groups report their group ORSA in other additional formats such as according to material business units in their single group wide ORSA report, they should ensure that there is adequate and clearly identifiable documentation for each solo undertaking.~~	Guideline removed
4.98. EIOPA underlines the requirement in the Directive that legal entities must be separately identifiable in the group ORSA for supervisory purposes. However, the group ORSA has to reflect the way insurance groups are managed, in order to ensure a proper link to management processes. As such, the group may report their group ORSA along material business units for example in line with their group ORSA so long as the documentation in respect of each solo undertakings is clearly identifiable and adequate for the purposes of the solo supervisors concerned.	~~4.98 EIOPA underlines the requirement in the Directive that legal entities must be separately identifiable in the group ORSA for supervisory purposes. However, the group ORSA has to reflect the way insurance groups are managed, in order to ensure a proper link to management processes. As such, the group may report their group ORSA along material business units for example in line with their group ORSA so long as the documentation in respect of each solo undertakings is clearly identifiable and adequate for the purposes of the solo supervisors concerned.~~	Paragraph removed
Guideline 24- Integration of related third-country insurance and re-insurance undertakings	**Guideline 21 – Integration of related third-country insurance and re-insurance undertakings**	**This guideline has been redrafted to remove all reference to equivalence when the deduction and aggregation method applies.**

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
In the group ORSA the group should assess the risks of the business in third countries in the same manner as for EEA-business with special attention to transferability and fungibility of capital and – in case of equivalence, when the deduction and aggregation method applies – the consequences of applying local capital requirements and technical provision calculations instead of the Solvency II framework in third countries.	In the group ORSA the group should assess the risks of the business in third countries in the same manner as for EEA-business with special attention to the transferability and fungibility of capital ~~and – in case of equivalence, when the deduction and aggregation method applies – the consequences of applying local capital requirements and technical provision calculations instead of the Solvency II framework in third countries.~~	Removal of equivalence, deduction and aggregation text.
4.99. The business of these third countries undertakings is assessed taking into account the following considerations: a) Both where the solvency regime of a third country has been deemed to be equivalent to that laid down in the Directive and where that is not the case, the group should carry out the assessment of the overall solvency needs set out in Article 45(1)(a) in the same manner as for EEA undertakings. Integration of risks of third countries undertakings with the risks of EEA undertakings in the group, should guarantee that similar risks are homogeneously assessed from an economic point of view;	1.140. The business of these third countries undertakings is assessed taking into account the following considerations: a) Both where the solvency regime of a third country has been deemed to be equivalent to that laid down in the Directive and where that is not the case, the group should carry out the assessment of the overall solvency needs set out in Article 45(1)(a) in the same manner as for EEA undertakings. Integration of risks of third countries undertakings with the risks of EEA undertakings in the group, should guarantee that similar risks are homogeneously assessed from an economic point of view;	No text change

EIOPA-CP-11/008 (November 2011)	EIOPA Final Report on Public Consultation No. 11/008 (July 2012)	Summary of modifications
b) Both where the solvency regime of a third country has been deemed to be equivalent to that laid down in the Directive and where that is not the case, the group needs particularly to assess the transferability and fungibility of the third country undertaking own funds, The assessment explicitly identifies the regulation of the third country that may hinder or impede the full fungibility and transferability of the own funds of the subsidiaries of such third country towards to any other undertaking of the group. The assessment must explicitly identify the regulation of the third country that may hinder or impede the full fungibility and transferability of the own funds of the subsidiaries of such third country towards to any other undertaking of the group; c) If third country entity is included in the group solvency assessment using local rules and the deduction and aggregation method (in case of equivalence), the assessment of the significance with which the risk profile of the subsidiary of such country deviates from the assumptions underlying the solvency capital requirement, as set out in Article 45(1)(c), shall refer to the capital requirements as laid down in the regulations of such a third country. This assessment has to carry out both at a holistic level and at a more granular level, where the group assesses the specific deviations of each material element of the calculation of the capital requirement.	b) Both where the solvency regime of a third country has been deemed to be equivalent to that laid down in the Directive and where that is not the case, the group needs particularly to assess the transferability and fungibility of the third country undertaking own funds, The assessment explicitly identifies the regulation of the third country that may hinder or impede the full fungibility and transferability of the own funds of the subsidiaries of such third country towards to any other undertaking of the group. The assessment must explicitly identify the regulation of the third country that may hinder or impede the full fungibility and transferability of the own funds of the subsidiaries of such third country towards to any other undertaking of the group; c) If third country entity is included in the group solvency assessment using local rules and the deduction and aggregation method (in case of equivalence), the assessment of the significance with which the risk profile of the subsidiary of such country deviates from the assumptions underlying the solvency capital requirement, as set out in Article 45(1)(c), shall refer to the capital requirements as laid down in the regulations of such a third country. This assessment has to carry out both at a holistic level and at a more granular level, where the group assesses the specific deviations of each material element of the calculation of the capital requirement.	
4.100. The group ORSA includes a separate and adequate disclosure of any material information regarding the ORSA concerning third countries undertakings.	1.141. The group ORSA includes a separate and adequate disclosure of any material information concerning third countries undertakings.	No text change

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