

Comments Template on CEIOPS-CP 81 Equivalence assessments to be undertaken in relation to Articles 172, 227 and 260 of the Solvency II Directive		Deadline 13.08.2010 17.30 CET
Name of Company:	Association of Bermuda Insurers and Reinsurers (ABIR)	
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<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ Do not change the numbering in the column “reference”. ⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph, keep the row <u>empty</u>. ⇒ Our IT tool does not allow processing of comments which do not refer to the specific paragraph numbers below. <ul style="list-style-type: none"> ○ If your comment refers to multiple paragraphs, please insert your comment at the first relevant paragraph and mention in your comment to which other paragraphs this also applies. ○ If your comment refers to sub bullets/subparagraphs, please indicate this in the comment itself. <p>Please send the completed template, <u>in Word Format</u>, to secretariat@ceiops.eu. Our IT tool does not allow processing of any other formats.</p> <p>The numbering of the paragraphs refers to Consultation Paper No. 81 (CEIOPS-CP-81/10).</p>		
Reference	Comment	
General Comment	ABIR is very appreciative of the work that CEIOPS is doing on the equivalence project. Creating and launching Solvency II is a tremendous project; assessing other jurisdictions for equivalence will be equally challenging. ABIR has previously provided statistics to policymakers that document the	

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	<p>important role those insurers from third countries such as Bermuda, Japan, Switzerland and the United States play in making the European insurance markets more competitive. This external insurance and reinsurance capacity, provided both on a cross-border basis and via European subsidiaries helps diversify risk, create additional capacity, promote innovation and make markets more competitive—all of which help to meet the needs of European commercial and personal insurance buyers. European consumers will be well served by a process that properly identifies important third countries and then carries out assessments on a timely basis. If resource constraints end up limiting the number of important jurisdictions that are assessed, then there will likely be marketplace impacts affecting European insurance consumers. If resource constraints end up being a serious limiting factor, then transition rules to recognize jurisdictions that are important and likely to be found equivalent would need to be established in order to prevent this adverse impact. Transition rules may also be necessary for some jurisdictions that are subject to first wave assessment—since Solvency II rules continue to be developed. We note that European and non-European jurisdictions will all be devoting substantial resources to regulatory implementation issues in 2011 and 2012. International accounting rules for insurers also remain under development. Equivalence assessments will be conducted during a time when Solvency II implementation work is ongoing and in various stages of testing. The equivalence process and the ultimate assessment should recognize this fact and grant equivalence findings, where appropriate, based on the success of the regulatory framework in meeting policy holder protection goals; and where the regulatory authority is committed and demonstrates the capability to develop and implement necessary system modifications.</p>	
1.		
1.1.		
1.2.	<p>The paper properly notes that the “overarching aim of the equivalence assessment should be to ensure that the third country supervisory regime ensures a similar level of policyholder and beneficiary protection as the one provided under Solvency II. Furthermore, “...the focus of the equivalence assessments should be on the substantive issue of whether the third country (re)insurance undertakings are subject to a risk-based supervisory regime.” We agree with these statements. The CEIOPS papers have identified the key principles and objectives that need to be met. No two systems will be identical; this is not a process of measuring uniformity. The paper appropriately notes the goals of the assessment and the focus on the policyholder protection brought about by risk based</p>	

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	supervision.	
1.3.	Section 1.2 is careful to use the term "risk based". Why is the term modified here to refer to "fully risk based"? The addition of the new word may create confusion around this ultimate standard.	
1.4.		
1.5.	We agree that transition rules will be helpful to the equivalence process due to the uncertainty of how many jurisdictions can be assessed in a timely fashion. Transition rules may also be useful because of the uncertainty that will remain during the assessment period with regard to some Solvency II provisions.	
1.6.		
1.7.		
2.		
2.1.		
2.1.1.		
2.1.2.	We think the reference here should be to a "risk based" regime and that the use occasionally of the word "fully" to describe the risk based regime is unnecessary and creates confusion. Note that paragraphs 2.1.3, 2.1.4, 2.1.5 and 2.1.6 all use "risk based".	
2.1.3.		
2.1.4.		
2.1.5.		
2.1.6.		
2.1.7.		
2.1.8.		
2.1.9.		

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2.1.10.		
2.1.11.		
2.1.12.		
2.1.13.		
2.1.14.		
2.1.15.		
2.2.		
2.2.1.		
2.2.2.		
2.2.3.		
2.2.4.		
2.2.5.		
2.2.6.		
2.3.		
2.3.1.		
2.3.2.		
2.3.3.		
2.3.4.		
2.3.5.		
2.3.6.		
2.3.7.		

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3.		
3.1.		
3.1.1.		
3.1.2.		
3.1.3.		
3.2.		
3.2.1.		
3.2.2.	For the IAIS Global Reinsurance Market Report Bermuda has eight reinsurers that have been tagged to report data for the 2010 report. Bermuda as a jurisdiction has the second highest number of reporting reinsurers. This is consistent with findings that Bermuda is among the three largest global domiciles of reinsurers.	
3.2.3.		
3.2.4.		
3.2.5.		
3.3.		
3.3.1.		
3.3.2.	We concur in the finding that recommends Bermuda as a priority jurisdiction based on insurance and reinsurance market factors.	
3.3.3.	To illustrate the importance of Bermuda companies in meeting the needs of European ceding insurers we've summarized herein some pertinent data. We note the following: According to 2009 Standard and Poor's reinsurance data, Bermuda has 13 of the top 40 reinsurers (life and non-life) in the world; According to 2009 AM Best data for non-life reinsurance, Bermuda companies have 37% of the global non-life reinsurance market; Bermuda reinsurance underwriting entities compose 16 of the top 25 non-life reinsurers identified by AM Best; according to Aon Benfield companies domiciled in Bermuda are	

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	<p>the single most important catastrophe reinsurance market for the firm's European clients; additional Aon-Benfield data identifies the important role played by Bermuda reinsurers in supporting European ceding insurers in France, Germany, Italy, Spain, the Benelux countries, the United Kingdom and Central and Eastern Europe. According to the firm's data nearly 6% of its premium from ceding insurers in France is ceded to Bermuda legal entities; more than 15% of its premium from ceding insurers in Germany is ceded to Bermuda legal entities; 2% of its premium from ceding insurers in Italy is ceded to Bermuda legal entities; nearly 19% of its premium from ceding insurers in Spain is ceded to Bermuda legal entities; more than 12% of its premium from ceding insurers in the Benelux countries is ceded to Bermuda legal entities; nearly 8% of its premium from ceding insurers in Central and Eastern Europe is ceded to Bermuda legal entities; and nearly 27% of its premium from UK ceding insurers is ceded to Bermuda legal entities. Reinsurance capacity from third countries including Bermuda, Switzerland and the United States is important in meeting capacity needs of European cedents and in making EU markets more competitive. In addition these cross border markets allow for diversification of risk which contributes to capital efficiency for the assuming reinsurer and improved financial security for these ceding insurers.</p>	
3.3.4.		
3.3.5.		
4.		
4.1.		
4.1.1.		
4.1.2.		
4.1.3.		
4.2.		
4.2.1.		
4.2.2.		
4.2.3.		

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4.3.		
4.3.1.		
4.3.2.	European insurance groups from France, Germany, Ireland, Luxembourg, the Netherlands, Sweden, and the United Kingdom have undertakings in Bermuda.	
4.3.3.		
4.3.4.		
4.3.5.	We support the conclusion about the importance of Bermuda being assessed in this category.	
5.		
5.1.		
5.1.1.		
5.1.2.	See comments in 5.1.3.	
5.1.3.	We agree with the statements made in 5.1.2 and 5.1.3 about the reliance upon the group supervisor from an equivalent regime. It is important for Solvency II to be implemented in such a way that it encourages not only policyholder protection, but also regulatory cooperation, regulatory deference and regulatory efficiencies for internationally active insurance groups from equivalent jurisdictions.	
5.2.		
5.2.1.		
5.2.2.		
5.3.		
5.3.1.	According to the reinsurance broker Guy Carpenter, Bermuda's internationally active (re)insurance groups have nearly \$14 billion in capital invested in European and Swiss legal entities. ABIR members have more than 7,000 employees in the EU. In addition of the 22 ABIR members: 20 have licensed entities in the UK; 11 have them in Ireland; 7 have them in France; 5 have them in Germany; 5 have	

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	<p>them in the Netherlands; 4 have them in Belgium; 4 have them in Italy; 4 have them in Portugal; 4 have them in Spain; and 4 have them in Sweden. Of the 22 ABIR members, with regard to holding companies (parent or subordinate): 9 have them in Ireland; 9 have them in the UK; 2 have them in Luxembourg; 2 have them in the Netherlands; and 1 has one in France.</p> <p>In premium data provided by Aon Benfield, for its client group, premium ceded to Bermuda legal entities <u>and</u> their European subsidiaries ranges from a low of nearly 8% in Italy to a high of nearly 25% in Germany. For French companies this measure of combined cessions to Bermuda groups (including their European legal entities) is nearly 18%, for Spanish companies this measure is more than 24%, for Benelux companies this measure is nearly 18% and for Central and Eastern European companies this measure is more than 12%. Looking at claims data and loss projections, Bermuda groups have an estimated 37% share of the losses for this year's Windstorm Xynthia; have 62% of the estimated liabilities for the UK's largest peace-time fire and explosion claim—the 2005 London Buncefield terminal fire; and for the 2009 Air France plane crash off the coast of Brazil Bermuda groups have an estimated 22% share of that theoretical \$1billion loss estimate.</p>	
5.3.2.	<p>ABIR supports the work of the BMA, accomplished to date, with regard to implementing a risk based supervisory regime for its internationally active insurance groups, in establishment of the group supervision legal framework, and with regulatory colleges; and the ongoing work in building out a group supervision framework; and we continue to support the work of the BMA as it builds out its comprehensive risk based supervisory framework.</p>	
5.3.3.		
5.3.4.		
6.		
6.1.1.		
6.1.2.		
6.1.3.	<p>ABIR supports the CEIOPS recommendation for Bermuda to be included in a first wave assessment with regard to all three equivalence articles. We believe the data we've provided in this document makes the market case for consideration of Bermuda as a first wave jurisdiction.</p>	

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6.1.4.		
A.1.		
A.1.1.		
A.1.2.		
A.1.3.		