15 September 2006

Feedback on CEIOPS Consultation Paper 13

The Chief Risk Officer Forum

Contents

1. The Chief Risk Officer Forum

The Chief Risk Officer Forum ('CRO Forum') comprises risk officers of the major European insurance companies and financial conglomerates, and was formed to address the key relevant risk issues. It is a technical group focused on developing and promoting industry best practices in risk management. The membership comprises:

Aegon NV	Allianz AG
Aviva PLC	AXA Group
Converium	Fortis
Generali	Hannover Re
ING Group	Munich Re
Prudential PLC	Swiss Re
Winterthur	Zurich Financial Services

2. High Level Comments on CP 13

- We (like CEA) agree that effective internal risk management, supported by risk based capital, is the most effective means of ensuring policyholder protection. This will involve not only the use of possible capital "add ons" under Pillar II but also the use of internal models as a substitute for the standard capital model under Pillar I.
- Pillar II should provide a means of capturing risks not adequately dealt with in Pillar I; it should not seek to replicate Pillar I.
- Whilst we would support a lot of what is proposed within CP 13 at a high level, determining what the proposed concepts mean in practice will be key. It is very important that there is proportionality in terms of the use of supervisory powers and the ladder of intervention and the degree of evidence sought to support internal risk and capital assessments. To this end, the exercise of supervisory powers should be defined and transparent.
- We consider that some form of expert standing body should be established to be able to provide a more dynamic approach to the setting of benchmark standards as industry practice evolves. The CRO Forum has already issued a number of papers on issues such as risk mitigation and internal model benchmarks and believes that industry participation in such expert panels should be part of the future supervisory regime.
- We note that CP 13 has been written in terms of solo supervision and will need adaptation for groups. Our response on group supervision will be provided in our response to CP 14.

3. Detailed Responses to CP 13

Para.	CEIOPS Draft Advice	CEA Comments	CRO Forum Position
	INSURANCE UNDERTAKINGS' INTERNAL RISK CAPITAL ASSESSMENT (IRCA) REQUIREMENTS		
19	As an integral part of the overall business strategy, insurance undertakings are required to have in place their own strategies for solvency capital and all material risks to which they are exposed (such as underwriting, credit, market, liquidity and operational risks), as well as an appropriate policy for the use of risk mitigation and transfer arrangements (e.g. reinsurance, derivatives) that together manage and address overall solvency. Insurance undertakings are required to have in place internal control mechanisms and processes that allow quantitative and qualitative measurement of each risk identified, including probability and impact on the risk profile of the insurance undertaking and the amount and quality of eligible capital which is relevant to the achievement of the undertakings' own goals. The IRCA shall be taken into account in the undertakings' strategic decisions.	The CEA agrees that effective internal risk management using risk based capital is the most effective way of ensuring policyholder protection. However, in order to avoid placing unnecessary burdens on companies any requirements need to be proportionate and have regard for the materiality of the risks. For example, companies may qualitatively identify a large number of potential risk exposures but the quantitative focus should be on the material risks.	We agree with the CEA's comments. An aspect which is not included within CP 13 relates to getting the balance right in practice in terms of the degree of evidence that the regulators will require for internal model validation. There needs to be a means of ensuring proportionality by the supervisors and some form of standing "expert" body which allow a more dynamic approach to setting of benchmark standards as industry practice evolves.
20	Similar to article 123 of the CRD but considering	The objectives and requirements of the	We agree with the CEA's comments.

Para.	CEIOPS Draft Advice	CEA Comments	CRO Forum Position
	the characteristics of the Solvency II approach as opposed to the Basel II approach, CEIOPS expects insurers to provide as part of the Pillar II process the SCR calculation result and two further analyses: ▪ a policy on solvency capita - which is an analysis of how the business plans affect the way in which the insurer will ensure that regulatory requirements are met and will continue to be met over the time horizon determined for the calculation of the regulatory SCR. An insurance undertaking shall immediately inform its supervisory authority if the SCR or MCR is breached or if the undertaking realised that they may be breached; and ▪ an analysis of the differences between the capital amount which the insurer considers necessary for its business needs and the capital amount which the standard formula generates; an insurance undertaking that uses an internal model for the computation of the SCR may use a risk measure and calibration different from the SCR standard risk measure and calibration. In this case, this comparison shall be performed together with the recalibration that transforms the internal risk numbers into the SCR risk measure and calibration.	solvency capital analysis are not clear and needs to be clarified. In particular, it is not clear in the case where a company uses an internal model whether it would be required to compare its capital assessment with the SCR produced using the standard approach. The CEA view is that where an undertaking uses an approved internal model for the computation of its SCR, it should not be required to analyse the difference in capital amounts produced by this model and that using the standard approach. Doing so would be unnecessarily burdensome as by definition, the internal model has been assessed as being more appropriate than the standard approach. As far as possible, analyses should use companies' existing internal analyses and formats for presenting data. The supervisor should therefore focus on the internal model's results when assessing the adequacy of the undertaking's capital resources.	

Para.	CEIOPS Draft Advice	CEA Comments	CRO Forum Position
21	CEIOPS expects insurers' IRCA to be forward-looking. Insurers should develop stress tests, or business continuity analysis or dynamic financial analysis in order to assess if the regulatory solvency requirements are met on a permanent basis.	Under the Solvency II framework, we would expect capital requirements to be based on Pillar 1, with Pillar 2 add-ons only in exceptional circumstances. The requirements to meet the IRCA and the purpose of the stress tests are unclear. There is a concern that without clearer specification and a better understanding, the IRCA will be used to generate regular Pillar 2 adjustments. Companies should demonstrate that they can meet the solvency requirements on an "ongoing basis" rather than "permanent" basis.	We agree with the CEA's comments. However, the tests and analyses that will be undertaken to meet the requirements of the IRCA should in principle be proportionate and therefore be tailored to take into account the insurer's individual/group material risk exposures, in particular, when quantifying the risk exposures.
22	An insurance undertaking shall provide to the supervisory authorities on demand all relevant information and explanations relating to its IRCA.	Management information should be accurate and timely. In normal circumstances we would not expect supervisors to require management information in addition to that available to management. All information requests should be proportionate, "fit for purpose" and provide companies with a reasonable time period in which to meet such requests.	We agree with the CEA's comments.

Para.	CEIOPS Draft Advice	CEA Comments	CRO Forum Position
23	<u>Assessment of the risk profile</u> An insurance undertaking must at the request of the supervisory authority demonstrate in connection with its risk profile the adequateness of technical provisions, the calibration test, and the insurance undertakings' internal risk capital assessment.	It is not clear what is meant by "calibration test" or the underlying concern from supervisors. If the suggestion is that companies should maintain adequate documentation then we agree. If the requirements go beyond this, then we would expect controls so that the requests from supervisors are proportionate, "fit for purpose" and applied consistently from one situation to another.	We agree with the CEA's comments that it is unclear what is meant by "calibration test" and reserve our right to comment pending clarification.
	SUPERVISORS' EVALUATION PROCEDURES		
24	In addition to the requirements set out in CEIOPS' answer to Calls for Advice 2 and 3, the supervisor should take into account all information received on the calculation (standard model or internal model) of the regulatory solvency capital requirements and as a new element the result of the undertakings' specific IRCA in order to get as much as possible a comprehensive overview of the undertaking's actual risk profile. This approach is similar to the approach taken in Article 124 CRD but should consider the characteristics of the insurance specific Solvency II approach.	CEA agrees that the evaluation of the insurance undertaking's solvency requirement should be comprehensive and focus on qualitative measures as well as quantitative ones. We would naturally expect that greater emphasis will be placed on material issues. There should be an ongoing and constructive dialogue between companies and their supervisors that evolves over time.	We agree with the CEA's comments.

Para.	CEIOPS Draft Advice	CEA Comments	CRO Forum Position
25	Under the SRP the supervisory authority should check the risk assessment made by the undertaking. All major risks should be assessed: market risk, underwriting risk, credit risk, operational risk, systemic risk or other risk that is considered major for a specific undertaking.	Supervisors should review these systems rather than duplicating tests that have already been performed. The reviews and their frequency should be proportionate, “fit for purpose” and harmonised. We would expect supervisors to make use of available relevant information such as the results of independent audits.	We agree with the CEA’s comments. Where extra information is requested, requests should be justified and time in advance appropriately provided.
26	The supervisory authority should also check the risk management and internal control systems implemented to identify, measure and manage each risk. Both operational and oversight functions are to be reviewed.	Supervisors should review these systems rather than duplicating tests that have already been performed. The reviews and their frequency should be proportionate, “fit for purpose” and harmonised. We would expect supervisors to make use of available relevant information such as the results of independent audits.	We agree with the CEA’s comments. Where extra information is requested, requests should be justified and time in advance appropriately provided.
27	The policy and strategies to mitigate the risks should be assessed to each risk or the risk of each process, as well as the effectiveness in mitigating the risk and processes.	The CEA agrees that risks should be evaluated taking into account all risk mitigation strategies. However we would expect supervisors to make use of available relevant information such as the results of independent audits	We agree with the CEA’s comments. The CRO Forum has already published a series of principles and policies that address the issues of the effectiveness of risk mitigation instruments - refer our March 2006 paper titled 'Financial Risk Mitigation in Insurance -Time for Change'. The CRO Forum believes these should

Para.	CEIOPS Draft Advice	CEA Comments	CRO Forum Position
			form the basis for the assessment of all risk mitigation instruments.
28	A final result of the review as to the deficiencies of the undertaking's risk assessment, management processes and capital adequacy should be given to the undertaking by the supervisory authority. This result will be very useful to the supervisory authority in prioritising future work, to ensure an appropriate degree of consistency in supervisory approach between supervisory authorities and to provide feedback to the undertaking. The undertaking must be given the possibility to understand the overall concept of classification they are taking part in.	The CEA supports constructive and ongoing dialogue between companies and their supervisors. Companies should be given clear and detailed justifications for any perceived deficiencies and on the priorities for future work. Companies should have the right to submit further information and to seek independent review within the supervisory authority. The CEA supports the adoption of consistent methodologies and assumptions across different territories.	We agree with the CEA's comments. The submission of further work should be able to include an independent review from external consultant(s).
	HARMONISED SUPERVIOSRS' POWERS AND TOOLS, INCLUDING PILLAR II CAPITAL ADD-ONS		
29	<u>New supervisory powers which have to be introduced by Solvency II</u> Gathering information Supervisory Authorities should have the power to require any insurance undertaking (or related party) to provide any relevant Information about	We agree that supervisors should have access to relevant information. However, there is a concern that the power described is wide ranging without sufficient description of the principles or context of how the supervisory powers will be applied.	We agree with the CEA's comments. Where extra information is requested, requests should be justified and time in advance appropriately provided.

Para.	CEIOPS Draft Advice	CEA Comments	CRO Forum Position
	an insurance undertaking's risk position and its corresponding capital needs; even information on behalf of the supervisory authority, which is not readily available in the form of a regular report or analysis within the undertaking.	For example, if supervisors have unlimited power to request **<u>any</u>** information they deem necessary that this could be applied in an arbitrary manner leading to unnecessary requests. Supervisors should seek to use existing processes and information as far as possible, e.g. those performed during independent audits. All requests for information that is not readily available should be proportionate having regard to the materiality of the risks and provide firms with a reasonable timeframe during which to meet such requests. Such requests should be exceptional for companies with good governance and risk management structures.	
30	Eligible capital Supervisory authorities should have the power to assess the quality and eligibility of capital as part of the SRP.	There should be clear guidelines on how such assessments are made. The approach should take into account the full economic characteristics of such capital, including its full ability to absorb risk.	We agree with the CEA's comments.
31	Transfer a portfolio	The power suggested here is extreme	We agree with the CEA's comments.

Para.	CEIOPS Draft Advice	CEA Comments	CRO Forum Position
	Supervisory authorities should have the power to facilitate a transfer of the portfolio and policy obligations of a failing insurer to another insurer who is willing to accept the transfer. As a new element the power should also include a compulsory transfer from a failing insurer.	and there is insufficient information on the principles or context of how the supervisory powers will be applied for example, when would an insurer be deemed to be "failing"? In order to ensure accountability, the industry would expect clear criteria as to how and when the supervisory powers can be applied. This should be viewed in the context of the ladder approach to intervention which forms a suitable basis for discussion with supervisors. The exercise of powers such as the forced transfer of a portfolio should only be possible if the company has not sufficient capital to cover its MCR, assuming that the MCR is calibrated appropriately. In general, if any new powers are introduced the extent and circumstances under which they can be exercised should be clearly defined and harmonised.	The CRO Forum would however also advocate that as a minimum, the insurer should be given every opportunity to make use of available risk mitigation instruments before any such portfolio transfer takes place. This will require supervisors to take explicit account of the effect of such instruments (net of any additional credit risk posed by their use) in reducing both the SCR and MCR. The latter, for simplicity, could be reduced by the ratio of the SCR after risk mitigation to the SCR before risk mitigation. There ought to be an automatic power to effect this capital relief from risk mitigation, although the power to reduce the MCR could itself be subject to solo regulator agreement (e.g. after the solo regulator has obtained assurances from the lead regulator on the intent and economic effect of those instruments).
32	Internal Models Supervisory authorities should have the option to	It should only be in exceptional circumstances that such instructions would be appropriate and in such	We agree with the CEA's comments. We would expect there to be ongoing dialogue between the insurance

Para.	CEIOPS Draft Advice	CEA Comments	CRO Forum Position
	instruct undertakings to set up and implement partial or full internal models if the actual risk situation deviates substantially from the assumptions underlying the standard formula.	cases, they should be required to be proportionate, "fit for purpose" and justifiable.	undertaking and the supervisor which should provide for deviations of the actual risk situation from the assumptions underlying the standard formula to be explained and evidence provided to the supervisor prior to going down the route of setting up and implementing partial or full internal models. Ongoing communication should also help to prevent any "surprise" requirements.
33	Power to grant or revoke For every internal model prior approval of the supervisory authority is required. Therefore, the supervisory authority should have the power not to grant the approval of the internal model proposed by the supervised undertaking or, after the approval, to withdraw approval for the model's use if the supervisor concludes that the internal model is no longer an appropriate substitute for the standard formula (see CEIOPS' answer to Call for Advice 11, para. 11.46).	Companies should be given clear and detailed justification for a supervisor's decision to revoke approval of an internal model. Companies should be given a reasonable opportunity to rectify any deficiencies in their internal model before approval is withdrawn. Companies should be able to submit further information to support their internal model and be able to seek independent review within the supervisory authority of any decision to revoke approval.	We agree with the CEA's comments.
34	Standard Formula Supervisory authorities should have the power to	For a company using an entity specific parameter, adequately justified, supervisors should not be able to	We agree with the CEA's comments. Again, ongoing dialogue to understand the reasons and provide

Para.	CEIOPS Draft Advice	CEA Comments	CRO Forum Position
	correct the undertaking's use of incorrect entity-specific parameters within the standard formula for the calculation of the SCR.	adjust the parameter without supporting evidence.	evidence/justification is paramount.
35	Specific powers for group issues CEIOPS will develop separate advice on this issue to be published for consultation in October 2006.	The CEA looks forward to participating in this consultation.	We look forward to participating in the consultation.
36	Insurance holding companies CEIOPS will develop separate advice on this issue to be published for consultation in October 2006.	The CEA looks forward to participating in this consultation.	We look forward to participating in the consultation.
37	Pillar II capital add-on The Pillar II capital add-on will be neither routinely nor commonly applied. If the supervisory authority concludes that the solvency capital requirement (SCR) for an individual entity is not prudent enough compared to the risk profile of that undertaking, either because they are captured insufficiently, the supervisory authority should be empowered to require the undertaking to hold more capital against its existing risks. In case of Pillar II failures such as inadequate arrangements, strategies, processes and mechanisms, a Pillar II capital add-on should be imposed until the deficiencies have been rectified, if the sole	The CEA strongly supports CEIOPS' view that capital add-ons should be neither routinely nor commonly applied, i.e. they should be exceptional. They should be a tool of last resort and only apply where the supervisor can clearly demonstrate that there are significant deficiencies in a company's risk management / procedures. The rationale for introducing such a capital add-on and the basis for determining its extent should be disclosed in detail to the insurance undertaking, which should have the opportunity to	We agree with the CEA's comments.

Para.	CEIOPS Draft Advice	CEA Comments	CRO Forum Position
	application of other measures is unlikely to reduce the risks from these failures within an appropriate timeframe (see Article 136, para. 2 CRD).	discuss/challenge this with the supervisor, be able to supply additional information and if necessary seek independent review within the supervisory authority. A capital add-on should cease to apply as soon as the undertaking has remedied the deficiency that gave rise to it.	
38	<u>Further high level principles for the Pillar II capital add-on</u> Aim of Pillar II and capital add-on The aim of the Pillar II capital add-on is to increase the level of the SCR given by the standard formula, or the internal model approved by the supervisory authority to calculate the SCR, so as to match more accurately the actual risk profile of a specific insurance undertaking.	The undertaking should, in the first instance, be given the opportunity to rectify the deficiency rather than have a capital add-on imposed immediately.	We agree with the CEA's comments.
39	Pillar II capital add-on in connection with internal models At this stage of the discussion CEIOPS will only give preliminary advice on the Pillar II capital add-on in connection with internal models. When an undertaking is using or wants to use an internal	The CEA agrees that internal models should not need to be perfect before they are introduced. The CEA believes that capital add-ons may not be an efficient tool to address Pillar I weaknesses e.g. deficiencies in internal models are better rectified via	We agree with the CEA's comments bearing in mind that Pillar II will be applicable mostly to larger insurance undertakings and therefore care should be taken not to over-engineer the Pillar II capital add-on.

Para.	CEIOPS Draft Advice	CEA Comments	CRO Forum Position
	model to calculate the SCR, the following possibilities have been identified as beneficial solutions for both undertakings and supervisors in the context of the approval process. Setting a Pillar II capital add-on could help to: ▪ smooth an undertaking's transition to an internal model. Rather than making the model approval process a binary yes/no decision, this would allow some flexibility by approving it partially, together with an add-on or subject to other conditions; ▪ correct deficiencies in the internal model itself ("model error"), which although of concern are not so severe as to call into question the reliability of the whole model itself.	conservative adjustments proposed and justified by companies to the data, methodology or assumptions rather than an arbitrary Pillar 2 capital add-on. The approval of companies' internal models will require supervisors to acquire new skills. The CEA recommends that supervisors should be working now (with the industry via staff exchanges and joint training) to familiarise themselves with internal models prior to the implementation of Pillar II.	We do not agree with the CEA's comments here. We believe that there ought to be an industry working group set up on risk modelling to help define best practices as a way of getting all regulators and insurers to the same standard. The CRO Forum could be part of this body.
40	CEIOPS intends to publish a further consultation paper on quantitative and qualitative requirements on internal models in the end of October 2006.	The CEA looks forward to participating in this consultation.	We look forward to participating in the consultation.
41	Definition of a Pillar II capital add-on The Pillar II capital add-on is a statutory capital requirement which can be defined as a supervisory tool that allows supervisors to require undertakings to hold capital in addition to the SCR as calculated by the standard formula or by an internal model, if the SRP leads to the conclusion either that the	Supervisors should supply detailed feedback to companies to support any capital add-ons and allow companies to provide further information in support of their position and if needed access to independent review (within the supervisory authority) of the capital add-on. If a company	We agree with the CEA's comments.

Para.	CEIOPS Draft Advice	CEA Comments	CRO Forum Position
	level of required solvency capital being held by the undertaking is insufficient or that the undertaking needs to remedy qualitative deficiencies.	satisfactorily resolves the deficiency that caused a capital add-on, then the capital add-on should immediately cease to apply. We emphasise that supervisors have a range of supervisory powers and that capital add-ons should be a tool of last resort, i.e. only used when other tools will not remedy the deficiency within an acceptable timeframe.	
42	Transparency issues CEIOPS believes from a prudential perspective that the public disclosure of the amount and purpose of any individual undertaking's Pillar II capital add-on should not be required. At this stage of the discussion CEIOPS proposes that for public disclosure purposes any Pillar II capital add-on becomes part of the final SCR; the derivation of the Pillar II capital add-on remains private between supervisory authorities and the insurance undertaking concerned. Further discussion is however needed under Pillar III, taking into account company law, national legislation, IASB discussions, etc.	CEA agrees that disclosure of the existence and extent of any capital add-ons should remain private between an insurance undertaking and its supervisor but this may need to be subject to any other overriding disclosure requirements.	We agree with the CEA's comments.
43	CEIOPS believes that there should be no	CEA agrees that disclosure of the	We agree that insurance undertakings

Para.	CEIOPS Draft Advice	CEA Comments	CRO Forum Position
	obligation on supervisory authorities to make public their reasons for imposing a Pillar II capital add-on for particular cases.	existence and extent of any capital add-ons should remain private between an insurance undertaking and its supervisor but this may need to be subject to any other overriding disclosure requirements.	should inform the supervisory authority about the appointment/resignation of directors.
44	<u>The following non-exhaustive list of existing supervisory powers should be closely harmonised under Solvency II in addition to the answers already given in Call for Advice 14:</u> Governing function The future Level 1 Directive should regulate the duty of insurance undertakings to inform the supervisory authority about the appointment/resignation of directors.	This information should be treated as confidential by the supervisory authority.	We agree with the CEA's comments; however, care should be taken to avoid duplication with other public disclosure requirements.
45	Breach of the SCR If the available solvency capital does not meet the required SCR then the supervisory authority should require the undertaking to directly address the problem and to execute any measures deemed necessary by the supervisor. As a first step the undertaking should produce a plan to restore the capital to the level above the SCR. If the undertaking does not produce a plan, produces an	The CEA strongly believes that the supervisory authority being able to "execute any measure deemed necessary" is inconsistent with the role of the SCR and intended objectives on harmonisation. The use of such powers should be proportionate and	We agree with the CEA's comments. We also recommend that the use of risk mitigation instruments be an explicit part of the ladder of intervention - see our comments under paragraph 31.

Para.	CEIOPS Draft Advice	CEA Comments	CRO Forum Position
	inadequate plan or fails to comply with that plan then further supervisory action should follow. CEIOPS already recommended a principle based set of supervisory powers in its answer to Call for Advice 15. In addition, some Member States see a specific concern to stress that especially the below mentioned supervisory powers, which should be available to all supervisory authorities, should be subject to a higher degree of harmonization: ▪ limiting dividend payments, depending on the solvency control level that is breached; ▪ requiring the undertaking to take no additional business or to reduce the level of risk retained.	reflect that the SCR is an important target as opposed to a hard target. As discussed in Principle 7, treating the SCR as a hard target could have a number of severely adverse consequences. The CEA believes that greater structure is required around the supervisory actions. As a result, the CEA supports a ladder of intervention approach with a proportionate and principles based set of supervisory powers that are applied consistently across different territories. For groups, this assessment should be undertaken by the lead supervisor on a group-wide basis. For a company whose capital position is between the SCR and MCR, supervisory powers should be proportionate and escalating commensurate with level of breach of the solvency control level. We agree that as a first step companies should produce a restorative plan and possibly more frequent solvency reporting. The company and supervisors would need to agree on the actions and timetable included in	

Para.	CEIOPS Draft Advice	CEA Comments	CRO Forum Position
		such a plan. Supervisory intervention may also depend upon the specific circumstances of the company and general economic conditions. Insurance companies operate in a volatile environment and it should be recognised that from time to time well run companies may dip below the SCR. It is therefore important that the SCR is not treated as a hard target as this would result in severe consequences (See principle 7). A degree of flexibility is therefore required, with a principle based approach to intervention being most likely to achieve this.	
46	Breach of the MCR When the available solvency capital does not meet the MCR and is not rapidly restored, the supervisory authorities should have the power to take any measures necessary in order to protect policyholders' interests. In its answer to Call for Advice 15 CEIOPS already recommended a rules-based set of supervisory powers. A special need for a higher degree of harmonisation is seen by	The CEA supports a ladder of intervention approach, with a proportionate level of power to intervene. The CEA views the SCR as an important target level of capital and recognises that having insufficient capital to cover the MCR is a more serious situation with more severe supervisory consequences.	We agree with the CEA's comments. We also recommend that the use of risk mitigation instruments be an explicit part of the ladder of intervention and that the MCR be appropriately adjusted in special cases - see our comments under paragraph 31.

Para.	CEIOPS Draft Advice	CEA Comments	CRO Forum Position
	supervisory authorities for the measures: prohibiting new business, appointing a special commissioner, withdrawing the licences, ordering winding up or petitioning for it.	Before taking any supervisory action, supervisors should recognise any mitigating circumstances, for example support from other companies within the group. The extent of the supervisory power to intervene should be based on the company's position after any mitigating action has been taken. For example, if a company in a Group were to fail to cover its MCR and capital was injected into the company to rectify this, then the supervisor's power to intervene should be consistent with the capital position after the injection and not before it. Finally it should be recognised that it may not necessarily be in the interest of stakeholders for supervisors to automatically trigger ultimate supervisory intervention on the breach of the MCR. Individual circumstances should be taken into account. Once a company has restored its position above the MCR, we would expect that the available supervisory powers will be consistent with this new position.	

Para.	CEIOPS Draft Advice	CEA Comments	CRO Forum Position
47	Fit and proper In addition to its answer in call for Advice 16 CEIOPS sees a strong need to stress explicitly that supervisory authorities should have the power to check fit and proper requirement not only once but on an ongoing basis. Under a future Level 1 Directive, this new power should aim at a high level of harmonisation.	The CEA supports supervisory authorities having the power to check the fit and proper requirement on an ongoing basis. The CEA supports this new power being harmonised.	We support these views as well.