Comments on Review of FCD

Name/ company: Länsförsäkringar AB, Stockholm, Sweden
Claes Thimrén, Chief Risk Officer

Please insert your comments and answers in the table below, and send it in word format to fcdadvice@c-ebs.org and secretariat@ceiops.eu, indicating the reference "JCFC-09-10". In order to facilitate processing of your comments, we would appreciate if you could refer to the relevant section and/or paragraph in the Paper JCFC-09-10.

Reference	**Comment and answers**
General comment on the **whole** Review of FCD	Länsförsäkringar AB Group is a Swedish financial conglomerate. Länsförsäkringar AB itself is a holding company owning a banking group, a non-life insurance group and a life insurance group. We want to draw attention to changes in the FCD that need to be prepared in parallell with Solvency II. In the draft Solvency II rules, diversification between risk types is explicitly allowed for in the Pillar I rules on capital requirements. We welcome this approach – it's how we ourselves view and report risks. We believe the capital requirements on financial conglomerates should allow for diversification between credit risks in bank lending on the one hand and insurance risks and market risks in insurance operations on the other hand. There is ample empirical evidence that these risks are not perfectly correlated: - Severe windstorms occur without noticeable effects on loan losses - Deep downturns on stock exchanges occur without major effects on loan losses - Severe loan loss cycles can pass without any serious effects on the outcome of non-life and life insurance

	risks We understand it's not without technical complications to introduce allowance for diversification in capital requirements on financial conglomerates. However, at least for holding company structures, where the risks of contagion are likely to be minimised, it could be done without coming in conflict with the sectoral rules on capital requirements, by using Solvency II pillar I-type rules on the financial conglomerate level. We believe that failure to recognise this issue would unfairly put our business model at a disadvantage, in practice requiring a higher protection (confidence) level in a financial conglomerate than in "single-sector" groups. For example, our Länsförsäkringar AB group would be at a comparative disadvantage if cross-sectoral intra-national diversification would not be recognised while cross-border diversification in insurance is.
Chapter 2	Definitions of different types of holding companies and their impact on the application of sectoral group supervision
Q1 Do you agree with the above analysis?	It's not clear to us if the proposal is that each mixed financial holding company should also either be a FHC or an IHC, or if it would be an option for supervisors to decide so; "allow a holding company to be a MFHC and a FHC/IHC at the same time." It's further not clear to us what the consequences would be if the top company would be regulated as a MFHC and a FHC/IHC at the same time. How could duplication of supervision be avoided? Could it be the case that rules on the same type of matter differ for the MFHC and the FHC/IHC, creating legal uncertainty? How would that be avoided – would the supervisor decide in advance on what rules would apply, for each conglomerate?

Comments on Review of FCD	
Name / company: Länsförsäkringar AB, Stockholm, Sweden Claes Thimrén, Chief Risk Officer	
	Finally, paragraph 41 reads: "Option 1 proposes to provide supervisors with the same supervisory powers over MFHC which were already in place for the holding company under the sectoral regimes before the identification of a group as financial conglomerate." This is not a sectoral-neutral rule. Since more than three years have passed since the introduction of the rules on financial conglomerates, the dominant sector may have changed from banking to insurance or vice versa. Two currentliy otherwise identical conglomerates could hence be regulated differently because their histories differ.
Q2 Do you agree to the proposed recommendations? (Yes / No) If No, please elaborate on your alternative proposal	
Other comments on chapter 2	
Chapter 3	The definition of "financial sector" and the application of the threshold conditions in Article 3 of the FCD
Part 1	Inclusion of entities for the purposes of identifying a financial conglomerate
Q3 Do you agree with the above analysis?	

Comments on Review of FCD	
Name / company: Länsförsäkringar AB, Stockholm, Sweden Claes Thimrén, Chief Risk Officer	
Q4 Do you agree to the proposed recommendations? (Yes / No) If No, please elaborate on your alternative proposal	
Part 2	How to include AMCs in the identification process - Allocation of AMCs to a particular sector and criteria for using income structure and off-balance sheet activities to determine the significance of the various financial sectors of a group
Q5 Do you agree with the above analysis?	
Q6 Do you agree to the proposed recommendations? (Yes / No) If No, please elaborate on your alternative proposal	
Q7 Could you suggest what issues the guidance should	

address and provide evidence to support your suggestion?	
Q8 Could you suggest what features could distinguish between an Asset Management Company (AMC) within a banking group and an AMC within an insurance group?	
Part 3	Should quantitative standard thresholds determine whether supplementary supervision applies to a group?
Q9 Do you agree with the above analysis?	
Q10 Do you agree to the proposed recommendations? (Yes / No) If No, please elaborate on your alternative proposal	

Comments on Review of FCD	
Name/ company: Länsförsäkringar AB, Stockholm, Sweden Claes Thimrén, Chief Risk Officer	
Q11 Could you suggest what issues the guidance should address and provide evidence to support your suggestion?	
Other comments on chapter 3	
Chapter 4	Implications of different treatments of participations for the identification and scope of supplementary supervision of financial conglomerates
Q12 Do you agree with the above analysis?	
Q13 Do you agree to the proposed recommendations? (Yes / No) If No, please elaborate on your alternative proposal	
Q14 Could you suggest what issues	

Comments on Review of FCD	
Name / company: Länsförsäkringar AB, Stockholm, Sweden Claes Thimrén, Chief Risk Officer	
the guidance should address and provide evidence to support your suggestion?	
Other comments on chapter 4	
Chapter 5	The treatment of "participations" in respect of risk concentrations (RC) and intra-group transactions (IGT) supervision and internal control mechanisms
Q15 Do you agree with the above analysis?	
Q16 Do you agree to the proposed recommendations? (Yes / No) If No, please elaborate on your alternative proposal.	
Q17 Could you suggest what issues the Level 3 guidance should address and	

Comments on Review of FCD	
Name / company: Länsförsäkringar AB, Stockholm, Sweden **Claes Thimrén, Chief Risk Officer**	
provide evidence to support your suggestion?	
Other comments on chapter 5	