

CEA position the OECD Report on the Attribution of Profits to a Permanent Establishment - Part IV (Insurance)

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The Comité Européen des Assurances ("CEA") welcomes the opportunity to take an active part in the discussions on the attribution of profits to a Permanent Establishment ("PE"), in particular on the special considerations for applying the authorised OECD approach to PE's of insurance companies included in Part IV of the OECD Report on the same subject.

Further to the publication of the revised public discussion draft of the OECD Report on the Attribution of Profits to a PE - Part IV (Insurance) ("current Part IV") on 22 August 2007, the CEA acknowledges that the changes are the result of the OECD effort to understand the insurance business and reflect the concerns raised by the industry with the prior draft. Indeed it is the CEA's conviction that the current Part IV better reflects the insurance sector practice and presents a more accurate message than the 2006 draft version.

Nevertheless there are a number of insurance specific topics addressed that need a more accurate drafting and further clarification on which the CEA is pleased to submit the following additional comments.

Executive Summary

The CEA believes the current Part IV better reflects the insurance sector practice and presents a more accurate and clearer message than the 2006 draft version. Notwithstanding the CEA's optimism, there are still a number of issues that require further improvement:

- A1) KERT - Key decision making in assuming insurance risk**
- The insurance industry is made up of several business segments which reflect the diversity of the industry. .
 - The current Part IV draft diverges from Parts I-III and ambitiously attempts to identify a specific function as the KERT function.
 - The current Part IV ambitiously addresses with one single common approach the property and casualty, life and reinsurance businesses, which are related, but distinct businesses.
 - The insurance sector KERT function should be defined sufficiently broadly to cover the various facts and circumstances that can arise in the various insurance businesses.
- A2) KERT - Key decision making in on-going, active insurance risk management and internal reinsurance**
- Beyond the assumption of risk, the on-going management of the risk assumed may play a crucial role involving active decision-making.
 - The diversity of the insurance business implies the necessity, on the basis of the facts and circumstances, for an element of "active management" to be recognised within the KERT proposals.
 - Where reinsurance can be recognised as actively transferring risk to another part of the entity for valid business reasons and this is properly carried out and clearly shifts the balance of risk and capital, this should be capable of recognition for the purposes of the KERT and asset allocation.
- B2) Secondary effects and attribution methods**
- There is no intent for the deemed attribution to give rise to withholding tax issues due to any change in the deemed recipient of the income associated with the allocated assets.
- C) Regulatory requirements**
- The nation state in which the assumption and management of insurance risk is undertaken is decided by the facts of the individual case.
- D) Language issues**
- There are still a number of concerns around the need for greater clarity in the definitions and use of language within the paper.
- E) Mutual agreement procedure**
- To prevent the practical issues of the mutual agreement procedures, the OECD could either establish a simpler, quicker arbitration mechanism or establish a rule providing that, despite any specific timing differences in the tax assessment process or despite specific taxation principles, the involved countries are obliged to resolve differences in a way that a double taxation cannot arise (obligation for agreement).

A) Key Entrepreneurial Risk Taking Function (KERT)

The insurance industry consists of several business segments and this reflects the diversity of the industry. In fact, the means by which the risk is assessed and accepted by a company as a KERT could vary extensively depending upon the line of business or segment of business being written.

As a preliminary remark, it is worth noting that the single function KERT approach has on no occasion been adopted by the OECD to determine the attribution of profits to a PE of any other industry. Indeed, the current Part IV draft diverges from Parts I-III and ambitiously attempts to identify one specific function as the insurance KERT function. On the other hand, the current Part IV, placing exclusively its focus on the issues of property and casualty risk, ambitiously addresses with one single common approach the property and casualty, life and reinsurance businesses, which are related, but distinct businesses.

Taking the OECD's ambitions into account, it is the CEA's conviction that the insurance KERT function should be defined sufficiently broadly to cover the various facts and circumstances that can arise in the various insurance businesses for the reasons stated below.

1. KERT - assumption of insurance risk - key decision making

Paragraph 54 states that *"(...) In the case of an insurance PE, the assumption of insurance risk is the key entrepreneurial risk-taking function which itself requires the attribution of investment assets to the PE to meet the reserve and surplus needs created by that risk. (...)"*

Paragraph 68 clarifies that *"(...) Generally, a key entrepreneurial risk-taking function is one which requires active decision-making with regard to the assumption and/or management (subsequent to the transfer) of the individual risks and portfolios of risks that have been identified as the most important under the functional and factual analysis. It is the key entrepreneurial risk-taking function that is likely to affect most directly the profitability of the insurance enterprise and the management of that risk subsequent to its assumption generally does not involve the kind of active decision-making that justifies treating that management function as a key entrepreneurial risk-taking function."*

Paragraph 69 confirms that *"It should be stressed that an insurance business will have one key entrepreneurial risk-taking function, the assumption of insurance risk by performing the underwriting function (...). Various activities will contribute to that process, and their relative importance is likely to vary according to the particular facts and circumstances (...)"*

Paragraph 34 clarifies that *"Underwriting is the process of selecting and pricing the insured risks to be accepted. Again, the exact nature and importance of these functions (and who performs them) will vary depending on the type of insurance product and the facts and circumstances of the taxpayer (...)"*

Paragraph 71 explains that *"Once the location performing the underwriting function has been determined and the respective insurance risk has been attributed to it, it will be necessary to attribute an appropriate amount of assets to that location to back that risk (i.e. assets representing both reserves and surplus). (...)"*

And finally paragraph 94 states that *"(...) it is important to identify those activities that constitute the most important active decision-making functions relevant to the assumption of insurance risk. (...). Depending on particular circumstances, however, functions that are generally viewed as ancillary to the function of underwriting insured risks (e.g. product development, sales and marketing, and risk management) may themselves represent active decision-making functions relevant to the assumption of insurance risk (...)"*

In the current Part IV paragraph 69, underwriting is stated to be the KERT function. In paragraphs 34-37 it attempts to expand the concept of "underwriting" beyond the common meaning of the word to effectively explain the variety of possible insurance risk assumption activities. Nevertheless, taking its common meaning into account, it will always be problematic to use the word "underwriting" for something broader.

Article 5/1 OECD Model Tax Convention on Income and on Capital (“OECD Model Convention”) states that *“for the purposes of this Convention, the term “permanent establishment” means a fixed place of business through which the business of an enterprise is wholly or partly carried on.”*

Article 5/5 OECD Model Convention states that *“where a person – other than an agent of an independent status to whom paragraph 6 applies – is acting on behalf of an enterprise and has, and habitually exercises, in a Contracting State an authority to conclude contracts in the name of the enterprise, that enterprise shall be deemed to have a permanent establishment in that State in respect of any activities which that person undertakes for the enterprise (...)”*

As a preliminary remark, the CEA believes that the KERT function should be invariably consistent with the criteria of article 5 OECD Model Convention to determine the existence of a PE. Under the provisions of article 5/5 OECD Model Convention, a person who only collects premiums and thus performs the pure underwriting function is not acting on behalf of the insurance enterprise and should not be considered as a PE. Against this background, the current Part IV seems to generalize the functions included in the underwriting process. The CEA believes this generalization could potentially modify the statute of the local person who only collects premiums and recommends clarifying that this is not the aim of the current Part IV.

It is the CEA’s conviction that the OECD guideline should focus on the approach of Paragraph 94. This paragraph places the KERT functions on “assuming insurance risk”. According to paragraph 69, the focus should be placed on the key decision to assume insurance risk and this is directly related to the facts and circumstances which reflect the range of activities that make up insurance risk assumption and which must be analysed on a case by case basis. “Key decision-maker in assuming insurance risk” presents a wider scope that includes persons working in underwriting, risk management and asset liability management (“ALM”), depending on the product under consideration.

The above implies that some additional wordsmithing throughout the document will be necessary. In this context, the CEA suggests deleting “underwriting function” and replace with “insurance risk assumption function”, throughout the document.

2. KERT - on-going insurance risk management and internal reinsurance - key decision making

The current Part IV draft also diverges from Parts I-III by essentially eliminating the active management of insurance risk as a KERT that chronologically exists after the initial assumption of risk. This rejection stems from its assumption that underwriting is the only KERT and once insurance risk has been assumed that the insurer does not manage this risk. A consequence of this elimination of active management of insurance risk is that the current Part IV also diverges from Parts I-III by essentially rejecting internal reinsurance in Sections 174-177 as further discussed below.

However, it is the CEA’s opinion that certain facts and circumstances could require the ongoing active management of insurance risk, even though this may not always be on a day-to-day basis. Such active management of risk is most likely to be a KERT when the key decision in assuming insurance risk has been a risk management function, such as ALM or a capital risk manager. It is possible that the managers who originally assumed the risk are not the same managers as those who then manage such risk after a period of time. In such a case, internal reinsurance would apply if properly documented.

As previously referred, the insurance industry is diverse and this may mean that, for certain business streams, the means by which the risk is assessed and accepted by a company is a key function. The CEA believes that beyond the assumption of risk, ongoing management of that risk may also require active decision-making and be a KERT. Therefore, it is the CEA’s conviction that the diversity of the insurance business implies the necessity, on the basis of the facts and circumstances, for an element of “active management” to be recognised within the KERT proposals.

Paragraph 176 states that *“Under the authorised OECD approach, no dealing that internally transfers economic ownership of insurance contracts or associated insurance risk is recognised unless it can be demonstrated that another part of the enterprise has performed the relevant key entrepreneurial risk-taking function.”*

The above described diversity requirement would also apply in a reinsurance arrangement. In this scenario, under the single KERT proposal, the cedant, who originally assumes the risk, will have functions within a KERT, while the reinsurer, who subsequently manages the risks assumed, will not. Hence, since reinsurance is a major insurance activity within the industry, the single KERT approach would not provide a consistent treatment to the insurance industry considered as a whole.

The current Part IV does not recognise the validity of “internal dealings” within insurance, despite recognising them in other Parts of the PE papers. In reinsurance, the key decision-maker for insurance risk assumption can be the risk management personnel who manage capital in terms of quantifying the effect of a new “book of reinsurance business” impacting the current portfolio of business and how such combined portfolio might then be risk managed, including using insurance-linked securities. These risk management personnel are not underwriters, but they can be the key decision-makers for assuming insurance risk for a reinsurer.

Since reinsurance is a real part of the insurance industry, if an insurance company performs reinsurance KERT activities in relation to internal reinsurance dealings like reinsurance underwriting (effectively pricing), risk and capital management, an internal reinsurance should be respected. Correspondingly, in a reinsurance company it would be necessary to establish whether retrocession KERT activities (retrocession pricing, risk & capital management) are undertaken to respect an internal retrocession dealing for tax purposes.

We would like to reiterate that where reinsurance can be recognised as actively transferring risk to another part of the entity for valid business reasons and this is properly carried out and clearly shifts the balance of risk and capital, this should be capable of recognition for the purposes of the KERT and asset allocation. Indeed, in certain segments of insurance, there may be strong business reasons for performing the risk taking function in one specific branch of the company, which should mean the insurance risks attach to that location. A typical means for transferring such risks is internal reinsurance contracts.

B) “Assets” and “Investment Assets”

1. Attribution

Paragraph 160 states that *“The focus of the “quasi thin capitalisation/regulatory minimum capital” approach is on providing an administratively simple way of ensuring that the PE cannot have less assets than its regulatory reserves and the regulatory minimum surplus for an independent enterprise conducting insurance business in the same jurisdiction. This approach is not an authorised approach for the attribution of investment assets as it ignores important internal conditions of the authorised OECD approach, e.g. that the PE generally has the same creditworthiness as the enterprise as a whole. However, as in the case of the comparable capital attribution method described in Parts I-III, it may be acceptable as a domestic law safe harbour in the host country which is also allowable under the authorised OECD approach as long as it does not result in the attribution of more profits to the PE than would be attributed by an authorised approach. In many cases the effect of using a quasi thin capitalisation/regulatory minimum capital approach as a domestic law safe harbour would be that the host country taxes less than it would using a capital allocation or thin capitalisation/adjusted regulatory minimum approach.”*

It is the CEA’s conviction that the possibility of having such a domestic safe harbour approach may result in restricting the allocation of capital and assets to a PE in such a way that any excess capital always has to be allocated to the head office. As stated by Paragraph 160, this does not reflect the economic reality, since all branches of a business have the same creditworthiness, as their operations are reflected in one single balance sheet. Additionally, allocating only the minimum capital to (foreign) PE’s may not be acceptable to the host country since an insurance business is normally not run with the minimum capital only (see Paragraph 129) and the local tax authorities might require an allocation of assets higher to this minimum approach. Therefore, as a general principle, local branch legislation should always be obliged to accept an attribution of the same creditworthiness or solvency margin to the PE as enjoyed by the insurance enterprise as a whole, unless the function and risk analysis clearly requires a different allocation.

Paragraph 159 states that *“Accounts of the PE may also show more assets than the reserves and bare minimum surplus requirement of the host state regulator. Indeed, if the PE holds assets in excess of the reserves and minimum surplus required it would be expected that any accounts would show this as well as the income and gains arising from them and such assets may also be attributed to the PE under the authorised OECD approach. But the PE’s accounts may not be drawn up on a basis that reflects the distinct and separate enterprise approach. It is necessary to start from the authorised OECD approach to establish what assets and what income and gains flowing from them should be attributed to the PE.”*

The above paragraph affirms it might be required to perform an arm’s length attribution of reserves and surplus (and hence assets) to an insurance PE, even though no such reserves/ surplus (or assets) have been formally attributed to the PE for regulatory or other purposes. In the CEA’s opinion, such allocation of assets, that might not even be available, might result in a taxation of (deemed) investment results, which have not been earned in the company. Therefore, the asset allocation should always take into consideration the total amount of assets available in the company (as stated in Paragraph 131). The total available assets should be the maximum of allocated assets over all locations; the total investment return should be the maximum amount taxed in the entity as a whole, while allocation of such investment return would have to follow reasonable principles based on the functions and risk performed by the locations. This should be made clear also for the principle of arm’s length test referred to in Paragraph 159.

2. Secondary effects and attribution methods

Paragraph 54 states that *“(...) the initial attribution of economic ownership of an appropriate amount of investment assets to the PE in respect of that key entrepreneurial risk-taking function has primary importance not only for determining characterization of the “distinct and separate enterprise” under step one of the authorized OECD approach, but also to the attribution of profits under step two, since attributing economic ownership of investment assets attributes the income and expenses associated with holding those assets or lending them out or selling them to third parties.”*

Paragraph 137 affirms that *“(...) the use of the capital allocation approach is intended only to attribute a total amount of investment assets to the PE based on the risk it has assumed, not to identify specific assets to be so attributed. (...)”*

Both Part I and current Part IV state that one of the purposes of the functional and factual analysis is to establish the “economic ownership” of assets. Should the economic ownership differ from the jurisdictional (regulatory) ownership, a deemed attribution of assets would occur to determine the correct profit to allocate to a specific PE.

Notwithstanding the above, since this allocation is clearly notional the CEA suggests stating in the current Part IV that there is no intention for the deemed attribution to give rise to withholding tax issues due to any change in the deemed recipient of the income associated with the allocated assets. This suggestion would also be consistent with the statement in paragraph 137 reproduced above. This approach would also be coherent with the statement in Part I, paragraph 238 that *“the recognition of the notional royalty is relevant only to the attribution of profits to the PE under Article 7 and should not be understood to carry wider implications as regards withholding taxes, which are outside the scope of this Report.”*

In this context, the CEA suggests adding the following sentence at the end of paragraph 166: *“Nevertheless, for greater certainty, the recognition of investment income on attributed assets is relevant only to the attribution of profits to the PE under Article 7 and does not carry wider implications as regards withholding taxes, which are outside the scope of this Report (see also paragraph 238 in Part I of this Report).”*

Paragraph 151 states that *“(...) It would therefore be interesting to know what data would be available to split the investment assets of an insurance business into the various business lines so that allocations could be made between locations within each business area using different allocation keys. It is hoped that the insurance industry will be able to assist greatly on this important matter.”*

The CEA understands that a number of data sources are already used in a number of countries, such as reserves, premiums, and even expenses (in cases of run-off business). However, the diversity of the business being carried out under the banner of insurance means that there is no simple single data source that would satisfy all requirements or lead to the best result in all cases.

Indeed, it is also the CEA's conviction that the allocation key would have to be based on the facts and circumstances of each entity through a casuistic approach, as a number of allocation keys may be appropriate even within a single entity. The CEA would additionally suggest that any allocation method is not only based on the facts and circumstances but also on the company's own systems and policy for allocation where possible. In fact, the methods of recording asset allocation may differ from company to company, depending on their mix of business, whether this is life business, property and casualty business or a mixture, and also whether they are focussing on short term risk only or long term.

C) Regulatory requirements

Paragraph 96 states that *"(...) regulation of itself is not the sole determinant of where insurance risk is assumed and managed as the authorized OECD approach ultimately looks to the functional and factual analysis to determine such matters. The position taken under host state regulation would be the starting point of the functional and factual analysis and there would be a presumption that it reflects the actual position. (...)"*

Paragraph 97 adds that *"One good reason for treating the position taken by the regulator as persuasive but not determinative is the fact that often there is no host state regulation (e.g. where both home state and host state are within the European Union) or sometimes any regulation at all (e.g. for reinsurance). In such cases, the starting point would be the properly drawn up books and records of the PE and again as noted in paragraphs 87-88 these would be followed provided they accurately reflect the functional and factual analysis."*

As an example, according to article 20, paragraph 1 of Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002, concerning life assurance, *"The home Member State shall require every assurance undertaking to establish sufficient technical provisions, including mathematical provisions, in respect of its entire business."* On its turn, its paragraph 3 states that *"The home Member State shall require every assurance undertaking to cover the technical provisions in respect of its entire business by matching assets, in accordance with Article 26. In respect of business written in the Community, these assets must be localized within the Community. Member States shall not require assurance undertakings to localize their assets in a particular Member State. The home Member State may, however, permit relaxations in the rules on the localization of assets"*.

The current Part IV states regulation of itself is not the sole determinant of where insurance risk is assumed and managed and that although the regulatory requirements may determine the maintenance of capital in a host state for risk liabilities that may occur for an insurance PE, this necessity does not in itself mean that the KERT activity must also be within that same host state.

The CEA acknowledges that the regulatory requirements of some nation states may be a strong factor in deciding where the profits of an enterprise should be allocated as discussed in paragraphs 95-106.

Notwithstanding the above, the vast majority of the countries represented by the CEA are also Member States of the European Union and the regulatory requirements of the host state regulation would not present a relevant condition in determining where the KERT function should be allocated.

In this context, the CEA welcomes the guidance stating that the nation state in which the assumption and management of insurance risk is undertaken is decided by the facts of the individual case. Therefore, the CEA agrees that the regulations imposed by certain nation states are a factor in determining where the KERT is undertaken, but should not in themselves be a determining factor.

Paragraph 130 states that *"Two authorised approaches to allocating total investment assets have been chosen: (1) capital allocation, and (2) thin capitalisation / adjusted regulatory minimum, although a third approach – quasi thin capitalisation / regulatory minimum – can be applied albeit only as a domestic law safe harbour. The rest of this section examines the strengths and weaknesses of the authorised approaches to attributing a total amount of investment assets to an insurance PE."*

The two approaches above, for their inflexibility, could be inconsistent with the attribution of capital under local rules governing the activities of some insurance companies. In fact, the activities of insurance companies operating outside the European Union are subject to a wide range of local prudential rules, which determine the attribution of capital. Indeed, this attribution has to be necessary and sufficient taking the risks covered by the PE into account.

Paragraph 105 states that “(...) The accounts and books should be respected for tax purposes, provided they reflect an attribution of assets and risks that is consistent with the functional and factual analysis (including any dealings). If a material amount of assets and risks are booked in a PE even when the PE does not perform the key entrepreneurial risk-taking function, then respecting the booking location in such cases would not lead to an arm’s length attribution of profits.”

The CEA also generally agrees with the guideline in paragraph 105 stating that book value of profits should be respected as far as they are consistent with the fact and function analysis to determine the location of the KERT. However, we understand a clearer criterion may be required to decide what is meant by “a material amount”. The CEA would not understand it as audit materiality, and the ambiguity in definition could lead to confusion and possible quarrels between taxpayers and tax authorities.

Paragraph 166 states that “In general, the return earned on the investment assets (reserves and surplus) that are properly attributable to the PE should correspond closely to the return earned on investment assets actually held in the host country (i.e. including trustee assets) to support the insurance contracts issued by the PE. In the case of a PE jurisdiction that has required the non-resident enterprise to place particular assets in trust, it would be appropriate to attribute the investment income earned with respect to those assets to the PE to the extent that key entrepreneurial risk-taking function is performed by a PE in that location. However, it would still be necessary to determine an investment yield with respect to investment of any assets that are attributed to that jurisdiction above and beyond what is represented by the assets actually held by the PE and recorded on its books.”

The CEA agrees that the return on attributed assets should be closely associated with that earned on the assets actually held in the host jurisdiction. So far as the additional assets are concerned, the bottom-up approach implicitly recognizes the regulatory constraints on the types of assets that can be held by the PE, since it uses a yield developed from the PE’s assets liable to regulatory control. For consistency reasons, we would welcome the reference to those regulatory constraints in the top-down approach as well. The CEA suggests the following sentence to be added at the end of paragraph 168: “In addition, regulators frequently restrict the type, quality and quantity (of type) of assets that can be held by the PE, a factor which should also be taken into account in determining what assets and yield may be attributed to the PE.”

D) Language issues

The CEA believes that there is a need for greater clarity in the definitions and use of language within the paper. It is clear that the draft tries to ensure parity of treatment or language as between Parts I to III and Part IV, however, we are not entirely sure this recognises the difference between insurance and the other business strands, such as banking and global trading. You will find enclosed an Annex 1 with a list of specific language issues that the CEA would like to address at the current stage of the discussion.

E) Mutual agreement procedure

Paragraph 164 states that “(...) there will inevitably be some cases where tax administrations disagree over whether the results produced by the host country method are consistent with the arm’s length principle. The Mutual Agreement Procedure is available to resolve such differences. The fact that it will sometimes be necessary to resolve disputes through MAP is not a weakness of the authorised OECD approach. Rather it reflects the fact that the attribution of investment assets to an insurance PE can be a very difficult and complex issue. The authorised OECD approach describes the strengths and weakness of different approaches and therefore provides a framework for resolving difficult cases.”

The CEA believes the mutual agreement procedure is a slow and complex process, which takes years to resolve any disagreement. Due to practical specificities in the tax audit procedures of European countries (timing of audit procedure, specific taxation principles, etc), a company might face double taxation despite the existence of such a procedure. To avoid these practical issues, the OECD could either establish a simpler, quicker arbitration mechanism or establish a rule that, despite any specific timing differences in the tax assessment process or despite specific taxation principles, the involved countries are obliged to resolve differences in a way that a double taxation cannot arise in cases of pure misallocations between PE`s or the PE and its head office (obligation for agreement).

The present position paper encloses the CEA preliminary remarks on the current Part IV. In this context, the CEA would like to reserve the possibility to refine the present comments at a later stage.

The CEA looks forward to the meeting of the 26 November 2007 and expects the above topics to be included in its agenda. CEA is always available and looking forward to assisting the OECD in all questions mentioned above, as well as any other questions that arise in the course of discussion.

Brussels, 31 October 2007

| About CEA

CEA is the European insurance and reinsurance federation. Through its 33 member bodies comprising of national insurance associations, CEA represents all types of insurance and reinsurance undertakings, e.g. pan-European companies, monoliners, mutuals or SMEs. CEA represents undertakings which account for approximately 94% of total European premium income. Insurance makes a major contribution to Europe’s economic growth and development. European insurers generate premium income of €1065bn, employ over one million people and invest more than €6,900bn in the economy.

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Annex 1

Specific Language Issues

The CEA believes that the reference to mechanisms, in paragraph 18, line 1, for managing risk by “shifting” risk is inappropriate, when “ceding” is the recognised and correct terminology.

The CEA would also recommend the following minor drafting issues in the current Part IV:

- Paragraph 20: Delete *“in return for the payment of the”* and replace with *“and pays a”*. After *“reinsurance premium”* add *“to the reinsurer.”*
- Paragraph 21: Remove *“basic”* in both bullets. Remove *“(or quota-share reinsurance)”* [surplus is also a common form of proportional reinsurance]. Remove sentence *“this kind of reinsurance (...)”* [quota-share reinsurance is not just for market penetration, but also is the most simple form of risk reducing reinsurance for established companies].
- Paragraph 44: It would be useful to distinguish between tactical investment management and strategic investment management. Start paragraph and second sentence with *“Tactical”*. Insert *“Strategic investment management”* in brackets after ALM.
- Paragraph 45: Investment *“managers”* rather than *“advisors”* [investment advisors typically include sales functions].
- Paragraph 47: First bullet, *“monitors”* rather than *“hedges”* [not all treasury departments undertake hedging, or hedge every transaction].
- Paragraph 50: Remove the first *“complex”*.
- Paragraph 97: (e.g. for reinsurance *“in certain countries”*) [add text in speech marks].
- Para 173: Add *“especially if identical transactions already occur between the head-office or P/E and related subsidiaries”*.
- Paragraph 191: The title should be renamed *“Insurance Risk Assumption Activities”*. In the first sentence, replace *“underwriting”* with *“risk assumption”*. End first sentence with *“(…) if retained”*.
- Paragraph 192: Third sentence, end with *“(…), and ability to assume risks under the economic circumstances and business strategy of the multinational group”*.
- Paragraph 194: Replace *“a share of profit”* with *“arm’s length remuneration”*, and remove the whole of the last sentence.