Summary of Comments on CEIOPS-CP-39/09 Consultation Paper on the Draft L2 Advice on TP - Best Estimate	CEIOPS-SEC-102/09

CEIOPS would like to thank AAS BALTA, AB Lietuvos draudimas, AMICE, Association of British Insurers, Association of Friendly Societies, Association of Run-Off Companies, Belgian Coordination Group Solvency II (Assuralia/, Bupa), CEA , Centre Technique des Institutions de Prévoyance (C, CRO Forum, Danish Insurance Association, DENMARK Codan Forsikring, DIMA (Dublin International Insurance & Management , Dutch Actuarial Society , EMB, European Insurance CFO Forum, European Union member firms of Deloitte Touche, Federation of European Accountants (FEE), FFSA, German Insurance Association, Groupama, Groupe Consultatif, Institut des actuaires (France), International Underwriting Association of London, Investment & Life Assurance Group (ILAG), Ireland's Solvency 2 Group, Just Retirement Limited, KPMG ELLP, Legal & General Group, Link4 Towarzystwo Ubezpieczeń SA, Lloyd's , Lucida plc, Milliman, Munich RE, NORWAY: Codan Forsikring (Branch Norway) ' , OAC Actuaries and Consultants, Pacific Life Re, PEARL GROUP LIMITED, PricewaterhouseCoopers LLP, RBS Insurance, ROAM , RSA Insurance Group PLC, RSA Insurance Ireland Ltd, RSA- Sun Insurance Office Ltd., SOGECORE , SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799), Uniqa, and XL Capital Ltd

The numbering of the paragraphs refers to Consultation Paper No. 39 (CEIOPS-CP-39/09)

Note: PWC is listed twice for each paragraph they have sent comments. First row is highlighted in yellow for reference and later indications.

No.	Name	Reference	Comment	Resolution
1.	AAS BALTA	General Comment	The approaches explained in CP 39 may require the current widely used methods for non-life provisions to be reconsidered and possibly replaced. For the premium provision the current method of UPR less DAC would seem redundant. Some additional commentary from CEIOPS on how they envisage practice developing would be very useful, perhaps in CEIOPS summary of responses to CP26. The validation advice in paragraphs 3.340 to 3.353 is generally a description of good practice. However the "white text" in paragraphs 3.287 to 3.339 hints at a highly engineered process which seems to drift some distance beyond the requirements of the Directive. We believe that undertakings should choose appropriate validation, based on generally accepted actuarial standards, and free from any implied "check list" of requirements set by Regulatory bodies	Noted Noted

2.	AB Lietuvos draudimas	General Comment	The approaches explained in CP 39 may require the current widely used methods for non-life provisions to be reconsidered and possibly replaced. For the premium provision the current method of UPR less DAC would seem redundant. Some additional commentary from CEIOPS on how they envisage practice developing would be very useful, perhaps in CEIOPS summary of responses to CP26. The validation advice in paragraphs 3.340 to 3.353 is generally a description of good practice. However the "white text" in paragraphs 3.287 to 3.339 hints at a highly engineered process which seems to drift some distance beyond the requirements of the Directive. We believe that undertakings should choose appropriate validation, based on generally accepted actuarial standards, and free from any implied "check list" of requirements set by Regulatory bodies	See No 1
3.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	General Comment	- We are in favour of the prescribed evolution in solvency regulation. Nevertheless, we stress the importance of the proportionality principle. Indeed, some of the CEIOPS recommendations put forward in CP39, if applied sensu stricto, would require investments in methodologies and systems in disproportion with the improvement of the quality of the risk picture of an entity. - In parallel, we emphasize the importance of expert judgement and the need for pragmatism from reviewers of those assumptions (auditors, control authorities) - Given the illiquid nature of Life insurance liabilities, we believe that discounting needs to include a liquidity premium in the discount rate being used.	Noted Noted Discounting rates are not part of these CP

			- The use of historical volatilities instead of implied volatilities, if properly justified should be allowed for the valuation of options and guarantees. Further, in case of extreme market circumstances at the date of solvency reporting, the option should exist of smoothing the implied volatilities (with the appropriate justification). Does the Directive affect current national calculations? The reading the Directive gives some doubts about how to interpret the notion of technical provisions. It is not clear if the BE approach is a specific calculation for solvency II or if it is globally applicable. For instance how the technical provision of Article 21 – linked with surrender values- should be calculated is under question. Art21 (1) However, for life insurance and for the sole purpose of verifying compliance with national provisions concerning actuarial principles, the home Member State may require systematic notification of the technical bases used for calculating scales of premiums and technical provisions. That requirement shall not constitute a prior condition for the authorisation of a life insurance undertaking.	Noted Not the issue of this CP BE linked only to determine technical provisions for solvency II. Noted
4.	AMICE	General Comment	These are AMICE´s view at the current stage of the project. As our work develops, these views may evolve depending, in particular, on other elements of the framework which are not yet fixed. 1The comments outlined below constitute AMICE`s primary areas of concern: Proportionality should be applied to the requirements defined in this paper. Proportionality should be adapted to the nature, scale and complexity of the risks of the undertaking, reflecting the risk-oriented approach of the new Solvency regime. However, the Level 1 text as politically agreed visibly goes beyond this approach of	Proportionality not part of this CP

			"proportionality" when displaying that the new regime should not be too burdensome for small and medium-sized insurance undertakings. The application of the principle of proportionality should follow the principle-based feature of the Solvency II framework. This means that proportionality should not be applied using a pre-scribed approach and should not constitute a hard rule.	
			Generally, developing principles and assumptions for constructing mortality tables at European level avoids the risk of unfair competition resulting from differing levels of prudence in the assumptions. However, the determination of assumptions at national level may reflect more adequately national characteristics and will allow more flexibility in updating the hypotheses adopted.	Noted
			AMICE members have expressed their preference for the second option, since it better reflects national specificities such as safeguards, mandatory and optional guarantees, government intervention through reinsurance mechanisms and so on while consistency among different jurisdictions should be ensured by harmonizing the methodologies employed.	Noted
			AMICE members advocate applying implied volatilities as long as they do not represent extreme market conditions and illiquid markets. This should be specified at Level 3.	Noted
			The requirements defined in section 3.10.6 of CEIOPS advice and in particular regarding paragraphs 3.340 to 3.353, such as the purpose of validation methods and back testing techniques, concern Pillar II issues and as such should be linked to CEIOPS' consultation papers on the system of governance (CP 33).	Not agreed Purpose of validation is a part of valuation process

5.	Association of British Insurers	General Comment	We welcome the recognition of explicit differences between Life and Non-Life and would emphasize that deterministic approaches may often be considered preferable to stochastic approaches, especially for Non-Life business. We believe the option to choose between a going concern basis and a run off basis for cash flow projections should be up to the firm to decide, provided that it demonstrates it has taken into consideration the risks related to the choice of either of these options. Forcing firms onto a "run off" basis would contradict the Level 1 requirement to produce a "best estimate" of the expected cashflows. It would also contradict the Solvency II principles of market consistency and a risk based approach.	Noted
			Many requirements (such as those related to the valuation and the validation processes) may cause practical difficulties for insurers and we suggest that the proportionality principle is properly applied and that materiality is appropriately taken into account. Care is also needed when calibrating the various components of technical provisions and SCR. We believe the current proposals result in excessive prudence.	Proportionality not part of this CP
			As also pointed out in our response to CP 56, we are concerned that the hurdles around the use of expert judgement will be too onerous to apply.	Noted
			The use of implied volatilities should be considered as the default approach. However historical volatilities should be an available option in the context of illiquid markets and may be appropriate in extreme market conditions or where implied market volatilities are not observable (e.g. real estate).	Noted

			We would also highlight the following key points of detail: ☐ Simplified approaches should be available to calculate the value of recoverables, to avoid imposing on companies an undue burden with the weighted-average cash flow calculation. In particular a simplified approach should be allowed for the assessment of the Counterparty default impact – if this requirement is retained. ☐ Certain simplifications should be allowed in measuring insurance obligations in different currencies, based upon the proportionality principle. In certain cases it may be appropriate to group separate currency liabilities. ☐ Some of the requirements set out in CP39 on best estimate valuation do not match operational constraints faced by international insurance companies in jurisdictions outside the EU and so some adaptation may be required. There will be a close interaction with the development and application of the ‘equivalence’ criteria. ☐ The principles of proportionality & feasibility should be considered when applying the principles of “substance over form”: The definition of a balanced formalization & documentation level is critical.	Not agreed Simplification is not part of this CP
6.	Association of Friendly Societies	General Comment	The Association of Friendly Societies represents the friendly society sector in the UK. We have 46 friendly society members, who are all member-owned mutual organisations. Typically they offer long term savings and protection policies, with generally low minimum premiums. Friendly societies are typically small, though well-capitalised, and have a distinctly different business model to shareholder-owned insurers. We would like to thank CEIOPS for the chance to comment on this paper.	Noted

			There are five general comments:	
			1) In practice, expenses are normally modelled using the business plan of the organisation in combination with the expense analysis. The growth or decline in the business will cause a need for bulk reserves over and above those modelled within the policy valuation.	Noted
			2) Volatility: no one right answer. We tend to favour expert judgment in combining historic volatility and current market conditions.	Noted
			3) We believe there is no difference between non-life and life methodologies used in technical provisions. The important point is that the undertaking should use the most appropriate technique for the particular risk involved.	Noted
			4) We believe that the document does not emphasise sufficiently the need for expert judgement (that needs to be documented correctly in the valuation process) and implies that a purely mechanical method can be employed. We do not believe that this mechanistic technique is the view of CEIOPS and would suggest that CEIOPS reiterate the need for judgement.	Noted
			5) We would like CEIOPS to acknowledge in this paper or in the paper on simplifications that policy by policy fully stochastic models (including stochastic claims and assets) would not be practicable in most undertakings timetables nor provide any better result than a partially deterministic model. Undertakings should concentrate on the outcomes of the model more than spend resources on improving models for small minor gains in exactness. The stochastic model is likely to have highly dubious theory on the volatility in any event.	Noted

7.			Confidential comment deleted.	
8.	Belgian Coordination Group Solvency II (Assuralia/	General Comment	We believe that it is extremely important that the valuation of liabilities is done on the basis of an economic approach in Solvency II (as is done for the assets). Convergence with the international accounting rules, which are currently being developed, is very important as well.	Noted
9.	CEA, ECO-SLV-09-433	General Comment	**Introductory remarks:** The CEA welcomes the opportunity to comment on the Consultation Paper (CP) No. 39 on Best Estimate methodologies. It should be noted that the comments in this document should be considered in the context of other publications by the CEA. Also, the comments in this document should be considered as a whole, i.e. they constitute a coherent package and as such, the rejection of elements of our positions may affect the remainder of our comments. These are CEA's views at the current stage of the project. As our work develops, these views may evolve depending in particular, on other elements of the framework which are not yet fixed.	Noted

			The Solvency II balance sheet should be calculated on a going-concern basis. For this reason, ongoing assumptions should be used for the assessment of future expenses. The use of going-concern assumptions is consistent with the transfer of the portfolio on a going-concern basis and is in line with economic principles. In order to ensure market consistency, it is sensible to require expenses to be calculated consistently with the way the business is run, i.e. if the business is run on a going concern than it would be more appropriate to calculate expenses on a going concern too as this is in line with a best estimate basis. We are very concerned with the factoring-in of additional layers of prudence. Ceiops' proposals for both the risk margin (as per CP42) and the technical provisions to be calculated on a run-off basis are excessively prudent and the duplications of margins would be expected.	Noted
			The principle of proportionality should be applied to the requirements set out in this paper, and excessively prescriptive requirements avoided. Many requirements (such as those related to the valuation and the validation processes) may cause practical difficulties for insurers and we suggest that the proportionality principle is properly applied. In particular, simplified approaches should be available to calculate the value of reinsurance/SPV recoverables to avoid unnecessarily burdening companies with weighted-average cash flow calculations and the assessment of the impact of counterparty default.	Not agreed Simplification is not of this CP

			We note here that this may be due to excessively prescriptive requirements in Level 2, whereas Level 2 should address principles, with interpretation being dealt with at Level 3 and/or in professional standards.	Noted
			Current best practice methods should not be considered as simplifications or proxies under Solvency II . We welcome the recognition of explicit differences between Life and Non-Life. In line with the CEA general comments on CP26 the selection of the appropriate method to use should consider the nature, scale and complexity of the risks. We would emphasise that it is the responsibility of the insurer to determine the most appropriate methods for the calculation of the Best Estimate. We would be concerned if the deterministic approaches which are currently considered best practice for certain types of business were to be considered simplifications or proxies under Solvency II. Ceiops should not attempt to find one technique which would be appropriate for all types of business.	
			The most appropriate volatility assumption for the calibration of asset models will depend on market conditions. We believe that implied volatility would often be the first choice as this will price cashflows consistently with the market. However the use of historical volatility should be available as an alternative, especially under stressed market conditions, and a mixture of both could be appropriate in certain circumstances. Therefore both should be specified at level 2.	Noted
10.	Centre Technique des Institutions de Prévoyance (C	General Comment	CP 39 leads us to notice that more work is needed on specifications about life insurance (and Health similar to Life) technical provisions, in order to harmonize the main parameters, and to avoid considerable divergences of interpretation by different states of by different insurance organisms. If this work was not done before the first implementation of	Noted

			Solvency II, the new regime would obviously fail to meet its objectives.	
11.	CRO Forum	General Comment	39.A Deterministic approaches should be allowed to calculate Non-Life technical provisions (priority: high) The CRO Forum would like it made clearer that for Non-Life Technical Provisions analytical approaches using run-off triangles (e.g. the Mack method mentioned in CP 26/ para. 3.21) should be acceptable for use as well as other approaches (simulation, deterministic and/or other analytical). 39.B Principle of proportionality & feasibility should be considered in applying the principles of "substance over form" (priority: medium) The CRO Forum believes the principle of proportionality and the practical feasibility should be taken into account in applying the principles of "substance over form" laid out in this consultation paper. For example in a Motor Insurance book, it is uncommon and practically difficult, especially for reinsurers, to treat Motor Third Party Liability Annuities using a Life approach (policy by policy) in order to reflect their substance over their form. The CRO Forum believes that companies should be allowed to use run-off triangles and apply the traditional non-life techniques especially in cases where the size of annuities is not expected to be material.	Noted Not agreed Simplified criteria not part of this CP

			39.C Simplified Net Best Estimate calculations should be allowed (priority: medium) The CRO Forum believes that companies should be allowed to adopt simplified approaches in the case of very complex reinsurance structure and avoid the weighted-average cash flow definition. In particular a simplified approach should be allowed for assessing the Counterparty default impact. 39.D The materiality principle should be applied consistently (priority: high) The CRO Forum believes that this consultation paper should recognize the principle of materiality in the way that it is recognized in other consultation papers. For example, paragraph 3.84 considers the whole life time of a portfolio as projection period. This can be up to 100 years for annuity insurance which calls for the application of the materiality principle.	Noted Not agreed Principle of materiality and proportionality are not part of this CP.
12.	Danish Insurance Association	General Comment	According to the Solvency II directive, the principle of going concern must be applied in the SCR calculation (Article 101, 2). However, this principle is violated numerous times in the many CPs published so far. Hence, the CEIOPS advice on quite a few issues contradicts the directive text, which is a major problem and source of concern. As an example among several it could be mentioned that concerning expenses it is, in effect, not possible to apply the best estimate because foreseen cost reductions cannot be taken into account (CP39, 3.51 and 3.102). This is contrary to article 76(2) In Denmark the accounting rules are also used for solvency calculations, supervisory and public reporting etc. The accounting rules are based on market consistent valuation principles, very much in line with article 76. We do calculate a best estimate	Noted

			provision and add a risk margin. However, compared to the requirements in the directive we do make use of some simplifications. But the key point is that these simplifications have no significant impact on the liability measurement and, hence, should be within the scope of the proportionality principle. One simplification is that we - concerning lapse - do not use a probability-weighted cash-flow. Instead, we calculate the provisions in the two cases of immediate lapse and no lapse and use the worst-case as best estimate (and show both results). It is very important that simplifications like this – in line with the principle of proportionality - will still be allowed as the results are robust. Moreover, the use of such simplifications is in line with the general design of the standard SCR model and more sophisticated methodology should rest with the use of internal modelling. Moreover, the total value of technical provisions is quite robust as to the use of rather complex versus simplified calculations. This relates to the value of the discretionary bonuses being calculated as a residual between the best estimate plus risk margin and the total value of assets belonging to the policyholders. This calculation method stems from is due to the so-called Contribution principle which implies that the technical result every year for with-profit policies is distributed between the owners and the policyholders (as a group) according to rules that are specified and publicised in advance. It should be possible to use sophisticated models, however, it should not be a requirement in itself. This loss absorbing capacity varies to some extent according to which SCR-components that occur. The reason being that companies do not necessarily have assets allocated separately to shareholders' equity. The extent of the issue is also highly dependent on which technical definition of the gross scenario is adopted. It is therefore according to the Danish system necessary	

			to decompose the total SCR before loss-absorbing. Furthermore, double counting of the risk absorption is likely to occur when using the modular approach. In combination this implies that it is a very high priority for our market to be able to make use of an equivalent scenario model. This is a pure technical issue in the sense that the confidence level under the equivalent scenario will be the same as intended in the modular approach. In calculating the Risk margin there are no prescribed methods in the Danish rules. However, we do not object to a future rule of using the Cost of Capital method. Principle of Proportionality In order to comply with the principle of proportionality the complexity of the methods used to assess the best estimate - especially taking into account the value of financial guarantees and any contractual options – should be carefully considered. It should be possible to use sophisticated models, but it should not be a requirement in itself. It should be remembered that the calculation of best estimate according to these rules will be used as a basis for the solvency calculations. The standard model is based on crude assumptions regarding the distribution of risk factors and the shape of the loss functions. Hence, if the standard model is used for calculating SCR complex requirements for calculation of best estimate provisions seem disproportionate and creates an illusion of accuracy. The content of CP 39 does not, in effect, seem to distinguish between companies using internal models and companies using the standard formula.	
13.	DENMARK Codan Forsikring A/S (10529638)	General Comment	The approaches explained in CP 39 may require the current widely used methods for non-life provisions to be reconsidered and possibly replaced. For the premium provision the current method of UPR less DAC would seem redundant. Some additional commentary from CEIOPS on how they envisage practice developing would be	See No 1

			very useful, perhaps in CEIOPS summary of responses to CP26. The validation advice in paragraphs 3.340 to 3.353 is generally a description of good practice. However the "white text" in paragraphs 3.287 to 3.339 hints at a highly engineered process which seems to drift some distance beyond the requirements of the Directive. We believe that undertakings should choose appropriate validation, based on generally accepted actuarial standards, and free from any implied "check list" of requirements set by Regulatory bodies	
14.	DIMA (Dublin International Insurance & Management	General Comment	DIMA welcomes the opportunity to comment on this paper. The bulk of the commentary on this paper represents the views of DIMA's life reinsurance members; there are, however, comments emanating from other sections of DIMA's membership. Comments on this paper may not necessarily have been made in conjunction with other consultation papers issued by CEIOPS. We do not believe that unallocated expenses should be allocated by class.	Noted Not agreed Undertakings should envisage cash out-flow due to unallocated expenses for which technical provisions should be calculated.

			For captive entities, there may be challenges with underlying assumptions insofar as small entities with low claims experience may be challenged when trying to justify IBNR calculations. The validation requirements that apply to all relevant and material assumptions and include supporting documentation and evidence of review by internal or external independent party are onerous on both time and resource. Best estimate determination: there is no standard definition of best estimate. In particular, for some classes of business it is necessary to build in some allowance in the reserves estimates for new types of latent claims, legislation changes, higher inflation rates. It should be made clear that this is allowed within the best estimate determination. We would identify the need for a proportionate approach to issues as they relate to the use of expert opinions and external data. The consultation paper is somewhat overreaching when addressing the requirements as to when these could or should be used, in particular in the context of external data. Regard has to be had to the competence (Fit and Proper) of the individuals within the undertaking and the implementation of the systems of governance as contemplated in CP33. We note with concern the continued segregation of finite reinsurance in the presentation of reinsurance recoverable. With the movement to a substance over form regime, it is reasonable to expect that such artificial distinctions can be eliminated as they are not relevant to the assessment, not least as recoveries are considered as assets as opposed to reductions in liabilities.	Noted Not agreed Simplification is not part of this CP.

			The specific requirements in respect of Guarantees and Options are usefully identified and many core issues identified. Arguably a separate consultation paper that integrates issues as they pertain to Guarantees and Options across the spectrum of the consultations would be useful having regard to the specific issues as regards to Risk Free Rate, Risk Margins and Technical Provisions as a whole, among others. With such a document the relevant issues could be better viewed in an integrated setting and thus eliminate inconsistencies that may arise through the current approach. CEIOPS has sought specific advice on the use of implied volatility or historic volatility. The selection is arguably not between these two items as there are policy consequences for each. In this regard we recommend that companies are free to use either approach subject only to ensuring that the overall implementation is consistent, for example the requiring of market risk margins to be included in the risk margins where static volatility parameters are used. Furthermore, where CEIOPS seeks to include guidance on calibration of volatility curves we would request that they contemplate calibration of curves that include allowances for cost of capital.	Not agreed CEIOPS was asked to prepare advice for implementing measures specified in Article 85 of level 1 text. Noted
15.	Dutch Actuarial Society – Actuarieel Genootschap (	General Comment	In general, we are pleased with the content of this paper. CEIOPS has done good work in giving more clearance on specific items in the calculation of the best estimate. The paper shows that CEIOPS has made some assessments between giving more guidance (and rules) or keeping the principle based approach of Solvency II. We are familiar with the draft Comments of Group Consultatif on CP39. The Actuarieel Genootschap also supports their comments. We emphasize that the Dutch AG supports this principle based approach and that actuaries must and should have a significant part in the calculation of the best estimate.	Noted

16.	European Insurance CFO Forum	General Comment	CP39 is written from the perspective of valuing life insurance and fails to give sufficient consideration to non-life measurement techniques. The level 2 implementing measures should recognise that both stochastic and deterministic approaches can be used to achieve reliable estimates in different circumstances. CP39 emphasises the advantages of stochastic modelling for cash-flows with characteristics typical to life insurance. In non-life insurance the characteristics of the cash-flows and the difficulties of achieving adequate volumes of credible data may mean deterministic methods are as reliable as stochastic approaches. A potential approach may be to split the document into separate life and non-life parts regarding the calculation of the best estimate. Unit of account: Best estimates need to be measured using a portfolio approach to determine assumptions. The unit of account should be applied consistently for all measurement as this affects both diversification and model error. The unit of account should be contracts that are managed together. This is consistent with the CFO Forum's responses to the IASB Discussion Paper on Insurance Contracts issued in May 2007. The CFO Forum supports the view that no surrender value floor should be assumed for the market consistent value of liabilities for a contract.	Not agreed The objective of this CP is to elaborate on the appropriate methodologies for the calculation of the best estimate for life and non-life insurance Not agreed Determination of assumptions is not the same as calculating the best estimate of the technical provisions.
17.	Federation of European Accountants (FEE)	General Comment	The Level 1 guidance requires to measure technical provisions at current exit value (see Article 75 (2)). However, we are under the impression that the Paper is not pursuing a Current Exit Value approach, as the approach in the Paper is based on entity-specific assumptions for the current insurer. Since this is an approach that	Not agreed The cash flow projection used in the calculation of the best estimate shall take account of all cash flows required to settle the

			we expect could be taken by the IASB for IFRS Insurance phase II, there will be greater consistency between Phase II and Solvency 2. It would be very helpful if CEIOPS could clarify that this is indeed the intention. For example, one of the consequences of the above approach is that for insurers with very low cost rates, the result could be technical provisions that are lower than the amount needed to transfer the portfolio to another insurer, except if it is assumed that the administrative environment (such as IT systems, staff, equipment) is generally transferred as well. This would not be compatible with the current exit value approach, which assumes that only the portfolio is transferred. A pragmatic solution for solvency valuation might be, to require the use of entity specific expense assumptions, if they are less favourable than in the industry, otherwise to limit any favourable deviation, since it might not last in the long run. Run-off assumptions are to be used if that is a realistic perspective. As a consequence, entities with relatively high administrative cost would use entity-specific assumptions, since that results in higher technical provisions compared with industry-average cost assumptions. Entities with very low administrative cost would use merely industry-average, since in case of a transfer or run-off it cannot be assumed that lower administrative cost would arise.	(re)insurance obligations over the lifetime thereof (Article 76(2)).
18.	FFSA	General Comment	FFSA welcomes CEIOPS' efforts to define Technical Provisions Best Estimate; FFSA pays attention to the following issues: 1) Many requirements (such as those related to the valuation and the validation processes) may cause practical difficulties for insurers and FFSA suggests that the proportionality principle should be outlined by the CEIOPS. Care is needed to ensure consistency between the various calculations (technical provisions, SCR…) and to avoid excess of conservatism. 2) To answer CEIOPS § 3.72 question, FFSA thinks that regarding	Noted

			non-life business, a separate calculation of annuity obligations for premium provisions would be a burden whether the part of it is substantial or not. 3) Regarding expenses assumptions (§ 3.99, §3.100), FFSA thinks that CEIOPS' suggested option b): (best estimate should reflect expenses which are linked to the management of the related business) is consistent with a going concern basis and should be the only basis of calculation for all undertakings. Therefore FFSA rejects option a). 4) To answer §3.101 CEIOPS' question, FFSA believes that "the risk that technical provisions calculated on a "run-off basis" may be greater than technical provisions calculated on a "going concern" basis" should be ignored by undertakings. FFSA thinks that only expenses which are linked to the management of the related business shall be retained. Those, in case of an imminent run-off, would anyway be equal to total expenses. Allowing for risk of increase in expenses linked to risk of "run-off" would result in an excess of prudency and in risks of potential double-counting within the standard formula. 5) FFSA believes that expected cost reduction resulting or not from licensing (e.g. cost reduction plan after an acquisition) should be taken into account in best estimate technical provisions calculations as long as they have been formally agreed by the Management. Hence, any expected cost reduction within the next 5 years should be taken into account until the end of the projection (§ 3.102). 6) FFSA strongly disagrees with CEIOPS (§ 3.149 & § 3.168) to reflect in Best Estimate calculation policyholders' possible reaction to reduced solvency of the undertaking as this is pro cyclical and unlikely to be supported by robust experience analysis. Also, in practice, undertakings should calculate the SCR before calculating the best estimate which would potentially involve circular calculation.	

			7) To answer 3.257 CEIOPS' question on whether implied or historical volatilities are more appropriate for the calibration and whether this should be specified at level 2 or be considered as part of level 3 guidance, FFSA thinks that use of historical volatilities should be an available option to be specified at level 2 as an alternative to implied volatilities. 8) To answer 3.271 CEIOPS' question on the need for consistent methodologies across Europe, FFSA thinks that further principles in order to promote a harmonized approach regarding ESG and harmonized principles for construction of mortality tables would be useful as long as they are set at a European level. FFSA believes that national level guidance would not meet the purpose of harmonization. 9) CEIOPS states that the projection horizon used in the calculation of best estimate should cover the full lifetime of the contract. The determination of the lifetime should be based on realistic assumptions about when the contract will be discharged or canceled or expired. FFSA believes that the previous is unrealistic and it would hugely increase the time of calculation without significantly affecting the result. Therefore, FFSA believes that it should be stated that if the projection horizon does not extend to the full lifetime of the contract, the undertaking should ensure that the use of a shorter projection horizon does not significantly affect the results (§3.84). 10) The definition of conditional discretionary benefits (influenced by legal or contractual obligation, performance of underwriting funds) and pure discretionary benefits must be consistent with IFRS definition of discretionary participation features (§3.179; §3.180; §3.189)	
19.			Confidential comment deleted.	

20.	German Insurance Association – Gesamtverband der D	General Comment	GDV appreciates CEIOPS's effort regarding the implementing measures and likes to comment on this consultation paper. In general, GDV supports the detailed comment of CEA. Nevertheless, the GDV highlights the most important issues for the German market based on CEIOPS' advice in the blue boxes. It should be noted that our comments might change as our work develops. Our views may evolve depending in particular, on other elements of the framework which are not yet fixed – e.g. specific issues that will be discussed not until the third wave is disclosed.	Noted
			We welcome the recognition of explicit differences between Life and Non-Life. We would emphasise that deterministic approaches may be considered preferable to stochastic approaches, in particular in the case of non-life business. We would be concerned if deterministic approaches which are currently considered best practice for certain types of business were to be considered simplifications or proxies under Solvency II.	Noted
			We propose that CEIOPS put all the final advice concerning recoverables together in one single section; the split between CP39, CP44 (with overlap to CP 51) and CP45 seems artificial and hampers the consistency of advice.	Not agreed Different CP requires different advice
			Many requirements may cause practical difficulties for insurers and we suggest that the proportionality principle is properly applied. The calculation of the value of recoverables may serve as an example: Simplified approaches should be available to calculate the value of recoverables to avoid unnecessarily burdening companies with weighted-average cash flow calculations. In particular a simplified approach should be allowed for the assessment of the Counterparty default impact – if this requirement is retained.	Not agreed Principle of proportionality is not part of this CP.

			As stated in our answer to CP50 on the design of health UW risk, accident should be treated together with all lines of business of P&C insurance but not together with "sickness" or "health" insurance: CEIOPS segmentation should be in line with Annex I of the FD. We are concerned with the language used throughout the text of this but also of other CPs which requires "undertaking to demonstrate" or "…to show" or "… to quantify". This wording suggests a quantitative comparison which will be very difficult to implement in practice. It would be more appropriate to require a qualitative explanation instead.	Noted Noted
21.	Groupama	General Comment	Groupama would like to emphasise the following points dealing with the modelling of the policyholder's behaviour: - Modelling the policyholder's behaviour in relation to the change in the insurer's solvency position is unfeasible in a stochastic environment. Furthermore, whereas the relation between the policyholder's behaviour and the profit-sharing given is clearly proved, the link between the policyholder and the insurer's solvency remains unclear. Reputation risk and mass lapse event risk are treated in the SCR calculations and do not have to be included and modelled for Best Estimate purpose. Moreover, that consideration could lead to pro-cyclical events and unjustifiably amplify a small decrease in an insurer's solvency. (3.149)	Not agreed Changed financial position could affect future policyholders behaviour.

			- Groupama would like to question the CEIOPS suggestion of assessing experience of policyholder's behaviour only when an option is "in the money". We think that it could lead to very onerous and unsound methodologies. Moreover, the policyholder usually does not know if its policy is in or out of the money. Its behaviour is more impacted by commercial, fiscal, or profit-sharing reasons. We suggest that the second part of this paragraph be removed. (3.148) Dealing with Best Estimate calculation: - We would be in favour of historical volatilities, which are more stable than implied ones. Implied volatilities could moreover lead to unwanted pro-cyclical effects. (3.257) - Groupama agrees with the definition of future benefits suggested by CEIOPS. However, as it is unclear in the CP, we would like to emphasize that we should not be asked to split our Best Estimate into each kind of future benefits. Indeed, as some elements can be calculated easily, such as the total amount of discretionary benefits, isolating the conditional ones from the pure ones is very demanding and has no impact on solvency numbers. (3.189) - We agree that expenses should be considered as for an ongoing business. (3.100)	Not agrred Guidance are not part o this CP Noted Noted Noted
22.	Groupe Consultatif	General Comment	Generally this paper is a good summary of what would be regarded as good actuarial practice. The paper outlines principles to be followed in order to arrive at a robust best estimate valuation of liabilities. We do however have some concern that the paper is quite uneven in its emphasis – for example it apparently seeks to be overly prescriptive in comparing stochastic and deterministic methods and in consideration of validation techniques, while having	Noted

			relatively little to say on the crucial subject of what constitutes realism in consideration of future experience. The paper does not explicitly take account of the fact that the under Article 47 of the Level 1 text, the actuarial function will be responsible for calculation of technical provisions and that the function is obliged to conform to professional standards. The Groupe Consultatif believes that the objectives of this paper will optimally be achieved by co-ordination of implementing measures with professional standards. A co-ordinated approach offers the best chance of combining necessary harmonisation with professional practice which is appropriate in its context. We look forward to discussing this important subject further with CEIOPS. It is important to bear in mind that the underlying products and insurance law still differ significantly from country to country. As a result it is important that enough flexibility is retained in the regulations to allow for these differences. We believe this can be achieved by co-ordinating interpretation of standards. We believe that previous discussions between CEIOPS and the Groupe Consultatif with respect to Best Estimate valuation have resulted in a consultation paper which in general covers adequately our main considerations as expressed in previous writings. (E.g. the Groupe Consultatif paper “Valuation of Best Estimate under Solvency II for Non-life Insurance” of 11-11-2008). This included: ☐ The framework for the valuation of Best Estimates should be principle based. ☐ Expert judgement should be part of the valuation process. ☐ For the valuation of Best Estimates a range of methods is available. No specific method should be pre described. It should be left to the actuarial function to select the most appropriate method. ☐ The Best Estimate valuation should be performed by a	

			person with sufficient actuarial knowledge. We believe that the document does not emphasise sufficiently the need for expert judgement (that needs to be documented correctly in the valuation process) and implies that a purely mechanical method can be employed. We do not believe that this mechanistic technique is the view of CEIOPS and would suggest that CEIOPS reiterate the need for judgement.	
23.	Institut des actuaires (France)	General Comment	These advices are very detailed on expenses and on financial options. Institut des actuaries, the third European actuarial association, thinks that a specific focus should be made on “Analysis assumptions” (death, disability, mortality, survival and changes in the health status of the insured person). Institut des actuaries thinks that harmonization should be more important. Having o much differences between countries about life expectancy in the life tables is not normal. A European statistical body should collect national datas or national insured data and produce national life tables according to their future use. For example, Institut des actuaries has lead this job in links with Industry and produces life tables for annuities, by birth year, with insured data. It should be done for every countries. Calculations of present values imply to have the discount rates and the distribution of probabilities (see 3.75) Definition of market consistent or entity specific : risk of bias in the competition based on risk of dumping if no standard nor control over specific entities (for the protection of the insured, safe rules would be better) It would be difficult not to refer to national rules regarding health and accident, taking into account the numerous national specificities (different fiscalities, different systems of social	Not agreed The purpose of the CP is not to focus how assumptions should be determined.

			security). Necessity to refer to local legal or fiscal specificities, which will remain despite solvency II. There is no advice about the way assumptions are determined, controlled,..	
24.	International Underwriting Association of London	General Comment	We anticipate that CEIOPS is aware of the IASB Request for information on the “Expected Loss Model” for financial assets (link: http://www.iasb.org/NR/rdonlyres/B46F4A92-E50F-4ABE-B7EA-C73E29091880/0/Request_InformationJun09.pdf) and will be responding. As we have previously noted, synergies between Solvency II and IFRS are desirable where they are appropriate. We are also concerned about the possible resourcing requirements that might be required by the proposals in this consultation paper. Calculation of the Best Estimate should not become unduly onerous for firms to calculate.	Noted
25.	Investment & Life Assurance Group (ILAG)	General Comment	1) In practice, expenses are normally modelled using the business plan of the organisation in combination with the expense analysis. The growth or decline in the business will cause a need for bulk reserves over and above those modelled within the policy valuation. 2) We tend to favour historic volatility. 3) We believe there is no difference between non-life and life methodologies used in technical provisions. The important point is that the undertaking should use the most appropriate technique for the particular risk involved.	Noted Noted Noted

			4) We believe that the document does not emphasise sufficiently the need for expert judgement (that needs to be documented correctly in the valuation process) and implies that a purely mechanical method can be employed. We do not believe that this mechanistic technique is the view of CEIOPS and would suggest that CEIOPS reiterate the need for judgement. 5) We would like CEIOPS to acknowledge in this paper or in the paper on simplifications that policy by policy fully stochastic models (including stochastic claims and assets) would not be practicable in most undertakings timetables nor provide any better result than a partially deterministic model. Undertakings should concentrate on the outcomes of the model more than spend resources on improving models for small minor gains in exactness. The stochastic model is likely to have highly dubious theory on the volatility in any event.	Noted Noted
26.	Just Retirement Limited	General Comment	We welcome and support the main principles of this paper. However there are a number of specific points where we believe the wording in the paper does not take account of practical issues in the application of the proposals. We also provide responses to the sections highlighted by CEIOPS for specific feedback.	Noted
27.	KPMG ELLP	General Comment	(a) The level 1 guidance requires (re)insurance undertakings to measure technical provisions at current exit value (see Article 75 (2)). Although it is relatively uncommon for insurance contracts to be transferred, the guidance has, in case of solvency reports, some justification. The ultima ratio of insurance regulation is actually an (enforced) transfer of insurance obligations to another solvent and willing (re)insurance undertaking, requiring a price which reflects the acquirer's own cost in settling the insurance liabilities. Consequently, an amount of technical provisions at which the current (re)insurance undertaking is able to settle the obligations is	Not agreed The cash flow projection used in the calculation of the best estimate shall take account of all cash flows required to settle the (re)insurance obligations over the lifetime thereof (Article 76(2)).

			not actually relevant. As an alternative, the current (re)insurance undertaking should be treated as going into run-off, which would significantly changes its nature. However, the use of the ultima ratio measurement causes severe issues, which need to be addressed properly. (b) The requirement of a "realistic" measurement (see paragraph 3.237) is conceptually in contradiction with a current exit value, since it is normally unrealistic to assume that the liability is transferred. The information necessary to determine a current exit value is often unavailable in absence of such transactions. (c) Problems arise with respect to entity-specific factors, i.e. those that depend fully on the (re)insurance undertaking which actually holds the portfolio under a current exit value approach. It is nearly impossible to achieve "realistic" assumptions for those factors as being present in the acquiring (or run-off) entity; they are necessarily fully speculative, since they need to be considered from the perspective of the acquirer. (d) We conclude from the CP, that CEIOPS is not pursuing a current exit value approach, but provides consistent guidance for using entity-specific assumptions for the current (re)insurance undertaking. We suggest, that the rationale for this underlying basis is described more clearly. For illustration, one of the consequences is, that in case of (re)insurance undertaking with very low cost rates, the result could be technical provisions which are lower than the amount needed to transfer the portfolio to another (re)insurance undertaking, except if it is assumed that the administrative environment is generally transferred as well (i.e. not a portfolio transfer but a business combination, - a mere change in ownership to have better access to further capital). But that would not be in compliance with the idea of a current exit value, assuming that only the portfolio is transferred. A pragmatic solution for solvency valuation might be to	

			require the use of entity specific expense assumptions, if they are less favourable as in the industry, otherwise to limit any favourable deviation, since it might not last in the long run. Further, run-off assumptions are to be used if that is a realistic perspective. (e) Notwithstanding, the general issues highlighted above looking at it at practical level the CP is very informative and provides useful clarification on a number of topics. Overall the concepts suggested are sensible, practical and make sense. The recognition of the importance of expert judgement (rather than prescribing methods) in the setting of best estimates is especially welcome. (f) There are only a few areas where we may disagree on or are concerned with, all of which would be reduced under the principle of proportionality. We recognise that proportionality is an overarching principle in Solvency II and suggest that this is reinforced in a few areas to avoid unnecessary over complication or unnecessary costs. For example, the statement "The best estimate should be calculated separately for obligations of different currency" could be strengthened to "The best estimate should be calculated separately for obligations of currencies subject to materiality." We also believe there should consistency across elements of Solvency II and as such the basis for calculations should be an on-going basis unless there are specific reasons otherwise, for example the (re)insurance undertaking is in run-off.	
28.	Link4 Towarzystwo Ubezpieczeń SA	General Comment	The approaches explained in CP 39 may require the current widely used methods for non-life provisions to be reconsidered and possibly replaced. For the premium provision the current method of UPR less DAC would seem redundant. Some additional commentary from CEIOPS on how they envisage practice developing would be very useful, perhaps in CEIOPS summary of responses to CP26.	See No 1

			The validation advice in paragraphs 3.340 to 3.353 is generally a description of good practice. However the "white text" in paragraphs 3.287 to 3.339 hints at a highly engineered process which seems to drift some distance beyond the requirements of the Directive. We believe that undertakings should choose appropriate validation, based on generally accepted actuarial standards, and free from any implied "check list" of requirements set by Regulatory bodies	
29.	Lloyd's	General Comment	The consultation paper is informative and provides useful clarification on a number of topics. Overall, the concepts suggested are sensible, practical and make sense. The recognition of the importance of expert judgement (rather than prescribing methods) in the setting of best estimates is especially welcome. There are a few proposals with which we disagree, as detailed in this submission. Many of our concerns will be assuaged by application of the principle of proportionality. As proportionality is an underlying principle of solvency II we suggest that its application be made explicit in some areas, to avoid unnecessary over-complication and cost. For example, the statement "The best estimate should be calculated separately for obligations of different currency" could be amended to "The best estimate should be calculated separately for obligations of currencies, subject to materiality." We also believe there should be consistency across elements of Solvency II and as such the basis for calculations should be an on-going basis unless there are specific reasons otherwise, for example the company is in run-off.	Noted
30.	Lucida plc	General Comment	Lucida is a specialist UK insurance company focused on annuity and longevity risk business. We currently insure annuitants in the UK and the Republic of Ireland (the latter through reinsurance).	Noted

31.	Milliman	General Comment	There is no mention of diversification effects with respect to aggregating LOBs or reserving segments in non-life insurance, although CP42 on Risk Margins suggests such diversification does not enter into the aggregation methodology. We realize that this is because the best estimate, as defined in the framework directive, is a proxy for a mean estimate, which implies that any diversification effect should be immaterial. (The sum of the mean estimates is the mean of the aggregate estimate). Nonetheless, one can only really know a mean if one is able to describe the entire distribution of possible outcomes and the commensurate probabilities. This is seldom the case. Indeed, the mean is not knowable. We suggest this could be clarified by including language in CP39 similar to CP42: "The overall best estimate of the undertaking is given as the sum of the best estimates as calculated by lines of business."	Noted
32.	Munich RE	General Comment	We fully support all of the GDV statements and would like to add the following points: Deterministic approach acceptable for Non-Life technical provisions We would like it made clearer that for Non-Life Technical Provisions analytical approaches using run-off triangles(e.g. the Mack method mentioned in CP 26/ para. 3.21) should be acceptable for use as well as other approaches (simulation, deterministic and/or other analytical). Principle of materiality & feasibility to be considered in applying the principles of "substance over form" We believe the principle of materiality and the practical feasibility should be taken into account in applying the principles of "substance over form" laid out in this consultation paper. For example in a Motor Insurance book, it is uncommon and	Noted Not agreed Simplification is not part of this CP

			practically difficult, especially for reinsurers, to treat Motor Third Party Liability Annuities using a Life approach (policy by policy; especially for Non-Life reinsurance a policy might cover several annuities in one contract, which means that the policy by policy approach is not feasible f in that context) in order to reflect their substance over their form. Therefore we suggest that companies should be allowed to use run-off triangles and apply the traditional non-life techniques especially in cases where the size of annuities is not expected to be material. Simplified Net Best Estimate calculations should be allowed We believe that companies should be allowed to adopt simplified approaches in the case of very complex reinsurance structure and avoid the weighted-average cash flow definition. In particular a simplified approach should be allowed for assessing the Counterparty default impact. Consistency in recognition of the materiality principle We believe that this consultation paper should recognise the principle of materiality in the way that it is recognised in other consultation papers. For example, paragraph 3.84 considers the whole life time of a portfolio as projection period. This can be up to 100 years for annuity insurance which calls for the application of the materiality principle.	Not agreed Simplification is not part of this CP Not agreed Simplification is not part of this CP
33.	NORWAY: Codan Forsikring (Branch Norway) (991 502	General Comment	The approaches explained in CP 39 may require the current widely used methods for non-life provisions to be reconsidered and possibly replaced. For the premium provision the current method of UPR less DAC would seem redundant. Some additional commentary from CEIOPS on how they envisage practice developing would be very useful, perhaps in CEIOPS summary of responses to CP26. The validation advice in paragraphs 3.340 to 3.353 is generally a description of good practice. However the “white text” in	See No 1

			paragraphs 3.287 to 3.339 hints at a highly engineered process which seems to drift some distance beyond the requirements of the Directive. We believe that undertakings should choose appropriate validation, based on generally accepted actuarial standards, and free from any implied "check list" of requirements set by Regulatory bodies	
34.	NORWAY: Codan Forsikring (Branch Norway) (991 502	General Comment	The approaches explained in CP 39 may require the current widely used methods for non-life provisions to be reconsidered and possibly replaced. For the premium provision the current method of UPR less DAC would seem redundant. Some additional commentary from CEIOPS on how they envisage practice developing would be very useful, perhaps in CEIOPS summary of responses to CP26. The validation advice in paragraphs 3.340 to 3.353 is generally a description of good practice. However the "white text" in paragraphs 3.287 to 3.339 hints at a highly engineered process which seems to drift some distance beyond the requirements of the Directive. We believe that undertakings should choose appropriate validation, based on generally accepted actuarial standards, and free from any implied "check list" of requirements set by Regulatory bodies	See No 1
35.	OAC Actuaries and Consultants	General Comment	There are five general comments: 1) In practice, expenses are normally modelled using the business plan of the organisation in combination with the expense analysis. The growth or decline in the business will cause a need for bulk reserves over and above those modelled within the policy valuation. 2) We tend to favour historic volatility. 3) We believe that the document does not emphasise sufficiently the need for expert judgement (that needs to be documented correctly in the valuation process) and implies that a purely mechanical method can be employed. We do not believe that this	Noted Noted Noted

			mechanistic technique is the view of CEIOPS and would suggest that CEIOPS reiterate the need for judgement.	
			4) We would like CEIOPS to acknowledge in this paper or in the paper on simplifications that policy by policy fully stochastic models (including stochastic claims and assets) would not be practicable in most undertakings timetables nor provide any better result than a partially deterministic model.	Noted
36.	Pacific Life Re	General Comment	We have found these consultation papers helpful in setting out the key issues in respect of the calculation of technical provisions. The comments below focus on those areas in CP39 where we believe changes are required to the current proposals.	Noted
37.	PEARL GROUP LIMITED	General Comment	We welcome the recognition of explicit differences between Life and Non-Life and would emphasize that deterministic approaches may often be considered preferable to stochastic approaches.	Noted
			We have a concern that this CP like the other CPs takes a prudent view. While this might feel appropriate in each CP we are worried that this will mean that the overall Solvency II legislation will be overly prudent when summed over all the CPs.	Noted
			There is a concern with regard to the level of justification required under this CP. Many requirements (such as those related to the valuation and the validation processes) may cause practical difficulties and we suggest that the proportionality principle is properly applied and that materiality is appropriately taken into account. Care is also needed when calibrating the various components of technical provisions and SCR. We believe the current proposals result in excessive prudence.	Not agreed Simplification is not part of this CP
			We are concerned that professional judgment might not be given sufficient weight. As also pointed out in our response to CP 56, we are concerned that the requirements around the use of expert judgement might be too onerous to apply.	Noted

			The use of implied volatilities should be considered as the default approach.	Noted
38.	Pricewaterhou seCoopers LLP	General Comment	Overall, we welcome the consultation paper as it provides useful guidance on a number of matters. However, we do have a number of significant comments relating to various paragraphs. We highlight in particular: ☐ Paragraphs 3.51-55 on the treatment of expense assumptions. ☐ Paragraphs 3.52, 57-63 on the calibration of stochastic asset models. Our response relates to Consultation Paper 42 (Risk Margin) where explicitly referenced.	Noted
39.	Pricewaterhou seCoopers LLP	General Comment	Overall, we welcome the consultation paper as it provides useful guidance on a number of matters. However, we do have a number of significant comments relating to various paragraphs. We highlight in particular: ☐ Paragraphs 3.51-55 on the treatment of expense assumptions. ☐ Paragraphs 3.52, 57-63 on the calibration of stochastic asset models. Our response relates to Consultation Paper 42 (Risk Margin) where explicitly referenced.	Noted
40.	RBS Insurance	General Comment	Some of the requirements contained in this paper (eg- required methodologies or splits of the technical provisions) have the potential to be resource intensive, so we feel that it is important the proportionality principle is applied throughout the calculation of best estimates.	Not agreed Simplification is not part of this CP

			We believe that, to avoid excessive prudence in the best estimate calculation, costs should be allowed for on a 'going concern' basis rather than a 'run-off' basis.	Noted
41.			Confidential comment deleted.	
42.	ROAM	General Comment	ROAM welcomes CEIOPS' efforts to define Technical Provisions Best Estimate; ROAM pays attention to the following issues: 1) Many requirements (such as those related to the valuation and the validation processes) may cause practical difficulties for insurers and ROAM suggests that the proportionality principle should be outlined by the CEIOPS. Care is needed to ensure consistency between the various calculations (technical provisions, SCR…) and to avoid excess of conservatism. 2) To Answer §3.71 CEIOPS' question, ROAM thinks when the risk is substantial, a separate calculation for claims provisions has to be done. If the company enters in its accounts provisions for claims outstanding calculated by discounting annuities, those provisions should be estimated, with the method of the best estimate, with appropriate life actuarial techniques. The calculation for other provisions should be carried out by using non-life methods.	Not agreed Simplification is not part of this CP Noted

			3) Regarding expenses assumptions (§ 3.99, §3.100), ROAM thinks that CEIOPS' suggested option b is consistent with a going concern basis and should be the only basis of calculation for all undertakings. 4) To answer §3.101 CEIOPS' question, ROAM believes that "the risk that technical provisions calculated on a "run-off basis" may be greater than technical provisions calculated on a "going concern" basis" should be ignored by undertakings. ROAM thinks that only expenses which are linked to the management of the related business shall be retained. Those, in case of an imminent run-off, would anyway be equal to total expenses. Allowing for risk of increase in expenses linked to risk of "run-off" would result in an excess of prudency and in risks of potential double-counting within the standard formula. 5) ROAM believes that expected cost reduction resulting or not from licensing should be taken into account in best estimate technical provisions calculations as long as they have been formally agreed by the Management. Hence, any expected cost reduction within the next 5 years should be taken into account until the end of the projection (§ 3.102). 6) ROAM strongly disagrees with CEIOPS (§ 3.149 & § 3.168) to reflect in Best Estimate calculation policyholders' possible reaction to reduced solvency of the undertaking as this is pro cyclical and unlikely to be supported by robust experience analysis. 7) To answer 3.257 CEIOPS' question, ROAM thinks that use of historical volatilities should be an available option to be specified at level 2 as an alternative to implied volatilities.	Noted Noted Not agreed Changed financial position of the undertaking could affect the future policyholders' behaviour. Noted
43.	RSA Insurance Group PLC	General Comment	The approaches explained in CP 39 may require the current widely used methods for non-life provisions to be reconsidered and possibly replaced. For the premium provision the current method of	See No 1

			UPR less DAC would seem redundant. Some additional commentary from CEIOPS on how they envisage practice developing would be very useful, perhaps in CEIOPS summary of responses to CP26. The validation advice in paragraphs 3.340 to 3.353 is generally a description of good practice. However the "white text" in paragraphs 3.287 to 3.339 hints at a highly engineered process which seems to drift some distance beyond the requirements of the Directive. We believe that undertakings should choose appropriate validation, based on generally accepted actuarial standards, and free from any implied "check list" of requirements set by Regulatory bodies	
44.	RSA Insurance Ireland Ltd	General Comment	The approaches explained in CP 39 may require the current widely used methods for non-life provisions to be reconsidered and possibly replaced. For the premium provision the current method of UPR less DAC would seem redundant. Some additional commentary from CEIOPS on how they envisage practice developing would be very useful, perhaps in CEIOPS summary of responses to CP26. The validation advice in paragraphs 3.340 to 3.353 is generally a description of good practice. However the "white text" in paragraphs 3.287 to 3.339 hints at a highly engineered process which seems to drift some distance beyond the requirements of the Directive. We believe that undertakings should choose appropriate validation, based on generally accepted actuarial standards, and free from any implied "check list" of requirements set by Regulatory bodies	See No 1
45.	RSA - Sun Insurance Office Ltd.	General Comment	The approaches explained in CP 39 may require the current widely used methods for non-life provisions to be reconsidered and possibly replaced. For the premium provision the current method of UPR less DAC would seem redundant. Some additional commentary from CEIOPS on how they envisage practice developing would be very useful, perhaps in CEIOPS summary of responses to CP26.	See No 1

			The validation advice in paragraphs 3.340 to 3.353 is generally a description of good practice. However the "white text" in paragraphs 3.287 to 3.339 hints at a highly engineered process which seems to drift some distance beyond the requirements of the Directive. We believe that undertakings should choose appropriate validation, based on generally accepted actuarial standards, and free from any implied "check list" of requirements set by Regulatory bodies	
46.	SOGECORE	General Comment	SOGECORE is a leading insurance and reinsurance captive manager independent from brokerage groups. We examined the QIS 4 effects for numerous of our clients and submitted most of our findings to our regulator. We mostly support this consultation paper but we would like to draw the attention of CEIOPS on the following points:	Noted
47.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	General Comment	The approaches explained in CP 39 may require the current widely used methods for non-life provisions to be reconsidered and possibly replaced. For the premium provision the current method of UPR less DAC would seem redundant. Some additional commentary from CEIOPS on how they envisage practice developing would be very useful, perhaps in CEIOPS summary of responses to CP26. The validation advice in paragraphs 3.340 to 3.353 is generally a description of good practice. However the "white text" in paragraphs 3.287 to 3.339 hints at a highly engineered process which seems to drift some distance beyond the requirements of the Directive. We believe that undertakings should choose appropriate validation, based on generally accepted actuarial standards, and free from any implied "check list" of requirements set by Regulatory bodies	See No 1
48.	Uniqa	General Comment	We feel comfortable with the considerations provided by CEIOPS concerning the technical provision (article 85a). However, towards some considerations we would like to add our comments.	Noted

49.	XL Capital Ltd	General Comment	We welcome CEIOPS recognition of the differences between Life and Non-Life and would emphasize that for non-life business deterministic methodologies are often more appropriate than to stochastic methodologies. Through out this paper materiality and proportionality need to be considered. Otherwise the letter of the requirements could be prohibitively difficult and time consuming to apply. While the paper clearly acknowledges a need for professional judgement, the requirements to demonstrate the validity of expert judgements will be difficult to apply in practice and we feel that this may inhibit the use of professional judgement. We do not believe that this was CEIOPS intention.	Noted Not agreed Simplification is not part of this CP Noted
50.	KPMG ELLP	1.	*Note SDD – there's nothing in the original document either*	
51.	CEA, ECO-SLV-09-433	2.	Consistency with IFRS is desirable to reduce the burden for insurers and increase transparency. However, as Solvency and Accounting regimes do not have the same purpose, Solvency II should not be aligned with IFRS if this is not considered appropriate. Recital 31, which is listed as a relevant article in the Level 1 text, requires the calculation of technical provisions to be in line with international developments in accounting and supervision. However, this should not mean that Solvency II should be adapted when the second phase of IFRS4 or any modifications to the IAS/IFRS principles are approved. For example, we would be concerned by the potential repercussions on the Solvency II regime caused by the use of amortised cost approaches, if these are adopted for accounting purposes. Furthermore IFRS 4 is still a moving target in progress. Therefore no fixed reference to IFRS would be appropriate in Level 2.	Noted

52.	European Union member firms of Deloitte Touche To	2.	"(30) … Member states should require undertakings to establish adequate technical provisions. The principles and actuarial and statistical methodologies underlying the calculation of those technical provisions should be harmonised throughout the Community in order to achieve better comparability and transparency." "(33)… The use of effective and harmonised actuarial methodologies should be required." In paragraph 3.13 CEIOPS gives an explanation on what should be understood by the term "valuation methodology". This should be understood as a set of principles, rules or procedures for carrying out a valuation of technical provisions. In this context also the term harmonised should be read in the points (30) and (33) as it refers to the harmonisation of the set of principles, rules and procedures.	Noted
53.	German Insurance Association – Gesamtverband der D	2.	Consistency with IFRS is desirable to reduce the burden for insurers and increase transparency. However, as Solvency and Accounting regimes do not have the same purpose, Solvency II should not be aligned with IFRS if this is not considered appropriate. Furthermore IFRS 4 is still a moving target in progress. Therefore no fixed reference to IFRS would be appropriate in Level 2.	See No 51
54.	Groupe Consultatif	2.	"(30) … Member states should require undertakings to establish adequate technical provisions. The principles and actuarial and statistical methodologies underlying the calculation of those technical provisions should be harmonised throughout the Community in order to achieve better comparability and transparency." "(33)… The use of effective and harmonised actuarial methodologies should be required." In paragraph 3.13 CEIOPS gives an explanation on what should be understood by the term "valuation methodology". This should be	See No 52

			understood as a set of principles, rules or procedures for carrying out a valuation of technical provisions. In this context also the term harmonised should be read in the points (30 and (33) as it refers to the harmonisation of the set of principles, rules and procedures.	
55.	KPMG ELLP	2.	Most non life (re)insurance undertakings don't explicitly discount their reserves.	Noted
56.	Association of British Insurers	3.1.	We agree that the Level 1 text requires the use of probability weighted average cashflows and to that extent it reflects the expected variations in the pattern of future cashflows. However, we would not support any new requirements to allow for uncertainty in cashflows as these are already addressed in the risk margin and in the SCR.	Agreed See revised text
57.	CEA, ECO-SLV-09-433	3.1.	Uncertainty should not be included in the best estimate. The definition of best estimate is as a probability weighted AVERAGE. This in itself does NOT allow for uncertainty in the future cash-flows. Uncertainty is already reflected in the risk margin (and the SCR) where there should be higher risk margins (SCRs) for more uncertain estimates.	See No 56
58.	European Insurance CFO Forum	3.1.	"Best estimate" calculated as a probability weighted average does not imply prudence. Whilst agreeing with the definition of "best estimate", the last sentence of the paragraph is confusing as it implies that the "best estimate" contains prudential margins. The "best estimate" is defined as a probability weighted average and by definition the probability weights take into account the uncertainty of future cash-flows. It should be clarified that the average, despite being probability weighted, by definition does not imply prudence. Comments in 3.237 are also relevant here.	See No 56
59.	Federation of	3.1.	The wording "allow for" could be interpreted to include a margin for	See No 56

	European Accountants (FEE)		uncertainty while the best estimate is neutral rather than risk averse. It is important to distinguish between the uncertainty in the cash flows and the uncertainty in the estimation process. The latter could only be included in an additional margin or capital requirements.	
60.	German Insurance Association – Gesamtverband der D	3.1.	Uncertainty should not be included in the best estimate The definition of best estimate is as a probability weighted average. This in itself does not allow for uncertainty in the future cash-flows. Uncertainty should be reflected in the risk margin (and the SCR).	See No 56
61.	Groupe Consultatif	3.1.	The best estimate should as it says allow for the best estimation of probabilities. Any margin for uncertainty of these estimates is allowed for in the risk margin. Note that ‘current estimate’ is preferred IAA terminology.	See No 56
62.	KPMG ELLP	3.1.	The wording “allow for” could be interpreted to include a margin for uncertainty while the best estimate is neutral rather than risk averse. The best estimate is defined as the expected value of discounted cash-flows (2 (33)) (Article 76.2) (3.58) (3.67) (3.114) etc. Statistically, the expected value is the mean of all scenarios and does not include a margin for uncertainty as this is contained in the standard deviation. It is important to distinguish between the uncertainty in the model used and the uncertainty inherent in the estimation process. It is not clear what type of uncertainty should be allowed for in the best estimate apart from uncertainty in the assumptions (3.24) and estimation uncertainty (3.20). The first one should be covered by additional margin or capital requirements.	See No 56
63.	Legal & General Group	3.1.	The best estimate should not allow for the uncertainty in the future cashflows. The level 1 text merely states that the best estimate is a probability weighted average, and does not reflect the uncertainty of those cashflows.	See No 56

64.	CRO Forum	3.2.	This section concerns the description of Valuation process. We agree in principle and in practice with all the messages in this section (adoption of expert judgement, interaction between different business areas like underwriting, pricing and claims, description of the valuation process)	Noted
65.	CEA, ECO-SLV-09-433	3.5.	We welcome the inclusion of a set of definitions in this paper.	Noted
66.	German Insurance Association – Gesamtverband der D	3.5.	We welcome the inclusion of a set of definitions in this paper which should be part of the advice (blue boxes).	Noted
67.	Federation of European Accountants (FEE)	3.7.	In the definition of portfolio specific, we agree that a key characteristic of portfolio-specific is that portfolio-specific data need not be undertaking-specific, i.e. that the characteristic would apply irrespective of which undertaking holds the liability.	Noted
68.	KPMG ELLP	3.7.	It should be a defining characteristic of portfolio-specific that it is not undertaking-specific, i.e. that the characteristic would apply disregarded regardless of which entity holds the liability.	Agreed See revised text
69.	CEA, ECO-SLV-09-433	3.8.	Expected legal changes should be taken into account. We suggest that expected legal changes (including tax changes) should also be considered if the assumptions have been approved by the local supervisor and the expected date of application is reflected.	Not agreed Paragraph 3.8 defines word "realistic" where expected legal changes are only a concert example of situation.
70.	KPMG ELLP	3.8.	We agree that best estimates should be neither pessimistic nor optimistic. This principle should underlie the whole calculation.	Noted
71.	Lloyd's	3.8.	We agree that best estimates should be neither pessimistic nor	Noted

			optimistic. This principle should underlie the whole calculation.	
72.	Milliman	3.8.	We agree that Best Estimates and the parameters that produce them should not be optimistic or pessimistic.	Noted
73.	CEA, ECO-SLV-09-433	3.9.	The definition of a stochastic asset model/ESF/ESG does not distinguish between market-consistent (“Risk neutral”) and “Real world” asset models and calibrations. If an appropriate definition is not provided of both, there is a risk of confusion which could ultimately lead to the use of an inappropriate type of ESG/EFL which does not fit the intended purpose. ☐ We recommend that separate definitions are provided for market-consistent and real world asset models / ESGs / ESFs and that these are then used consistently throughout the whole document. As an aside: “The model estimates” should replace “The model estimate”	Agreed See revised text. Agreed See revised text
74.	European Insurance CFO Forum	3.9.	“The model estimate” should be replaced with “the model estimates”.	See No 73
75.	Groupe Consultatif	3.9.	Stochastic models are not limited to economic influences – for example mortality and other hazards may be modelled stochastically.	Not agreed 3.9 define “Stochastic asset model” and not general stochastic models.
76.	Institut des actuaires (France)	3.9.	This point should be splitted into two distinct definitions : o Stochastic asset model o Economic Scenario File / Economic Scenario Generator File	Agreed See revised text.
77.	Munich RE	3.9.	“The model estimates” instead of “The model estimate”	See No 73

78.	Association of Friendly Societies	3.10.	We would like CEIOPS to acknowledge that all markets may not be available at times of extreme stress. The definition of deep and liquid markets should include the words "in normal market circumstances" after the "in the future". The equity market did not allow rapid trades after the 1987 stock market collapse in the UK and we would all accept the fact that the UK equity market is a deep and liquid market.	Agreed See revised text
79.	Groupe Consultatif	3.10.	"Market participants can rapidly execute large volume transactions without material impact on the prices of the financial instruments (to be consistent with 3.260. a.)" Remark: This definition of a "deep, liquid and transparent market" is not sufficient to practically distinguish a "deep, liquid and transparent market" from a non "deep, liquid and transparent market". We would like CEIOPS to acknowledge that all markets may not be available at times of extreme stress. The definition of deep and liquid markets should include the words "in normal market circumstances" after the "in the future". The equity market did not allow rapid trades after the 1987 stock market collapse in the UK and we would all accept the fact that the UK equity market is a deep and liquid market.	Agreed See revised text Not agreed Market is not "deep, liquid and transparent" if listed condition are not meet See No 78
80.	Institut des actuaires (France)	3.10.	"Market participants can rapidly execute large volume transactions with little impact on the prices of the financial instruments (to be consistent with 3.260. a.)" Remark: This definition of a "deep, liquid and transparent market" is not sufficient to practically distinguish a "deep, liquid and transparent market" from a non "deep, liquid and transparent market".	See No 79

81.	Investment & Life Assurance Group (ILAG)	3.10.	We would like CEIOPS to acknowledge that all markets may not be available at times of extreme stress. The definition of deep and liquid markets should include the words "in normal market circumstances" after the "in the future". The equity market did not allow rapid trades after the 1987 stock market collapse in the UK and we would all accept the fact that the UK equity market is a deep and liquid market.	See No 78
82.	Lucida plc	3.10.	Does 'readily available to the public' have any price threshold?	No
83.	OAC Actuaries and Consultants	3.10.	We would like CEIOPS to acknowledge that all markets may not be available at times of extreme stress. The definition of deep and liquid markets should include the words "in normal market circumstances" after the "in the future". The equity market did not allow rapid trades after the 1987 stock market collapse in the UK notwithstanding the fact that the UK equity market is a deep and liquid market.	See No 78
84.			Confidential comment deleted.	
85.	Federation of European Accountants (FEE)	3.12.	The definition should make clear, that choosing assumptions is always a matter of judgement between credible and current since both are practically mutually exclusive. To improve credibility, information from all periods is needed, but that information becomes less "current". There are only very limited data, which can be seen as actually "current".	Not agreed Up-to-date and credible information is a term which is defined.
86.	European Union member firms of Deloitte Touche To	3.13.	We agree with the definition on valuation methodology as it is understood as a set of principles, rules or procedures for carrying out a valuation of technical provisions.	Noted
87.	Groupe Consultatif	3.13.	We agree on the definition on valuation methodology as it is understood as a set of principles, rules or procedures for carrying out a valuation of technical provisions.	Noted

88.	KPMG ELLP	3.13.	Reserving methodology usually refers to the methods used to calculate the technical provisions. There might be confusion at first on the new wider interpretation of the word.	Noted
89.	Milliman	3.14.	We suggest the addition of an "s" to "(or method)" in order to make method plural.	Agreed See revised text
90.	CEA, ECO-SLV-09-433	3.15.	We request the addition at the end of the sentence:" …starting from the valuation date".	Agreed See revised text
91.	CEA, ECO-SLV-09-433	3.17.	This paragraph is primarily relevant to life insurance. The CEA suggests replacing "any actuarial model" with "most Life actuarial models" in the first sentence.	Agreed See revised text
92.	Association of Friendly Societies	3.18.	The going concern definition should allow for the business plan of the organisation. It might be the business plan of the undertaking to cease writing new business in the near future. This will curtail its activities but will not mean that the undertaking could continue as a "going concern" able to meet its liabilities as they fall due and able to pay discretionary benefits.	Not agreed Term "going concern" is not linked to the business plan.
93.	Federation of European Accountants (FEE)	3.18.	The definition of going concern is mainly an accounting definition. The accounting definition refers only to the continuation of operations, especially volume of activities, but does not specify that the type of activities remains the same. We understand that the regulatory perspective assumes that the type of activity, especially the general form of insurance business written, remains. That is not consistent with the accounting definition of going concern. The accounting definition allows a measurement attribute "current exit value". Under a current exit value notion, it is assumed that the insurer might be selling its entire portfolio and doing other forms of business afterwards. For Solvency II, however, the assumption is that the insurer actually continues its specific insurance activities,	Agreed See revised text

			new business, underwriting, etc. which is not easily to be seen in compliance with the current exit value notion. This comment also applies to paragraph 3.53.	
94.	Groupe Consultatif	3.18.	The going concern definition should allow for the business plan of the organisation. It might be the business plan of the undertaking to cease writing new business in the near future. This will curtail its activities but will not mean that the undertaking could not continue as a "going concern" able to meet its liabilities as they fall due and able to pay discretionary benefits.	See No 92
95.	Investment & Life Assurance Group (ILAG)	3.18.	The going concern definition should allow for the business plan of the organisation. It might be the business plan of the undertaking to cease writing new business in the near future. This will curtail its activities but will not mean that the undertaking could continue as a "going concern" able to meet its liabilities as they fall due and able to pay discretionary benefits.	See No 92
96.	KPMG ELLP	3.18.	The definition of going concern is mainly an accounting definition. The accounting definition refers only to the continuation of operations, especially volume of activities, but does not specify that the type of activities that remain. We understand that the regulatory perspective assumes that certain types of activity, especially the general form of insurance business written, remains. That is, not consistent with the accounting definition of going concern. However, intended here is the assumption, that the (re)insurance undertaking actually continues its specific insurance activities, as well regarding new business, underwriting etc.	See No 93
97.	OAC Actuaries and Consultants	3.18.	The going concern definition should allow for the business plan of the organisation. It might be the business plan of the undertaking to cease writing new business in the near future. This will curtail its activities but will not mean that the undertaking could continue as a "going concern" able to meet its liabilities as they fall due and	See No 92

			able to pay discretionary benefits.	
98.	CEA, ECO-SLV-09-433	3.19.	The definition of "best estimate" should be refined to read "a gross, present (discounted) value".	Not agreed Best estimate is a term used in Article 76(1) of Level 1 text
99.	Federation of European Accountants (FEE)	3.19.	This paragraph does not provide a definition but guidance about what the entity should consider in calculating the best estimate. A definition could be: "The unbiased estimate of the mean value of discounted cash flows, i.e. those which would be considered by market participants in valuing the insurance contract and using market interest rates where available.	Not agreed The purpose of definition was to define the meaning of the "best estimate" for purpose of this CP
100.	KPMG ELLP	3.19.	This paragraph does not provide a definition but guidance regarding what to consider in calculating the best estimate. A definition could be "The neutral estimate of the mean value of discounted cash flows under the insurance contract, using market values where available (market prices, e.g. for time value of money as used in discounting, are not contractual cash flows cash flows exchanged in transferring the rights or obligations underlying the contractual cash flows and therefore including margins, while all contractual cash flows as considered, are estimated as mean values, i.e. risk neutral)".	See 99
101.	CRO Forum	3.20.	3.20-3.35: This section concerns the description of Valuation process. We agree in principle and in practice with all the messages in this section (adoption of expert judgement, interaction between different business areas like underwriting, pricing and claims, description of the valuation process)	Noted
102.	Dutch Actuarial Society – Actuarieel Genootschap (	3.20.	We agree with this point.	Noted

103.	European Insurance CFO Forum	3.20.	The CFO Forum supports the point made in this paragraph.	Noted
104.	European Union member firms of Deloitte Touche To	3.20.	We fully agree with this point.	Noted
105.	Groupe Consultatif	3.20.	While valuation of technical provisions does need to consider uncertainty of estimate, valuation of best estimate does not.	Not agreed The "best estimate" is defined as a probability weighted average and therefore by definition takes into account the uncertainty.
106.	Institut des actuaires (France)	3.20.	expert judgement : Institut des actuaries thinks that the complete process of expert judgement should be described in level 3 measures (who is in charge of the judgement, who controls the expert, …)	Noted
107.			Confidential comment deleted.	
108.	Dutch	3.21.	We agree with this point.	Noted

	Actuarial Society – Actuarieel Genootschap (			
109.	Groupe Consultatif	3.21.	This paragraph should be read in conjunction with our comments concerning CP 33.	Noted
110.	Institut des actuaires (France)	3.21.	This paragraph should be read in conjunction with our comments concerning CP 33.	Noted
111.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.22.	What does "independent person" mean in this context? The whole process is yet very expensive and costly. The engagement of a third party beyond the undertaking and the supervisory authority seems not to be justified.	"Independent person" means a person independent by the process of valuation.
112.	Association of British Insurers	3.22.	"The whole process should be […] checked by [an] independent person". We do not believe this requirement should lead to a full external audit which could prove very burdensome.	Agree See revised text
113.			Confidential comment deleted.	
114.	CEA, ECO-SLV-09-433	3.22.	We request that "checked by independent person" is deleted. We agree in principle and in practice with all the messages in this section regarding the description of valuation process (adoption of expert judgement, interaction between different business areas like underwriting, pricing and claims, description of the valuation process). We do request however that the expression "checked by independent person" is deleted as it is not properly defined and could be excessively burdensome. If this requirement is retained then it should be clarified, for	Not agreed Process should be reviewed and verified by the person independent of the process of valuation.

			example we would expect clarification that this would not lead to a full external audit. Please refer to our response to CP33 (Governance) in which we discuss that the key focus should be on the independence of the persons/unit carrying out the audit and the proportionality of this requirement.	
			As an aside: methods which are appropriate" should replace "methods which is appropriate"	Agreed See revised text
115.	European Insurance CFO Forum	3.22.	"The methods which is appropriate" should be replaced with "the methods which are appropriate".	See No 114
116.	European Union member firms of Deloitte Touche To	3.22.	We agree that the whole process of valuation should be documented and also checked by an independent person. We should like to emphasise that in our view this independent person should have sufficient actuarial knowledge and skills.	Agreed See revised text
117.	Federation of European Accountants (FEE)	3.22.	Since insurance risk is merely portfolio specific, "generally available data on insurance technical risk" should be considered only for the specific portfolio. "Generally available data on insurance technical risk" will usually consist of industry, national or population statistics that are not necessarily relevant information for a specific portfolio. The first step when using generally available data is to check their relevance to the characteristics of the portfolio. This comment also applies to paragraph 3.24.	Not agreed This is in line with Article 75(2).
118.			Confidential comment deleted.	
119.	German	3.22.	We request that "..checked by independent person" is deleted	See No 114

	Insurance Association – Gesamtverband der D		We agree in principle and in practice with the messages in this section regarding the description of valuation process (adoption of expert judgement, interaction between different business areas like underwriting, pricing and claims, description of the valuation process). We do request however that the expression "checked by independent person" is deleted as it is not properly defined and could be excessively burdensome.	
120.	Groupe Consultatif	3.22.	Checking by an independent person can of course be useful, but there are other equally effective controls such as 'analysis of surplus', comparison of outcome with plan, etc. etc.	Noted
121.	Institut des actuaires (France)	3.22.	Who will be the independent person ? He should have actuarial competence but he should be independent from the actuarial function in charge of the valuation of reserve. Which relationship the expert will have with supervisors ?	See No 111
122.	KPMG ELLP	3.22.	Since insurance risk is merely portfolio specific, "generally available data on insurance technical risk" should only be considered as far as relevant for the specific portfolio. "Generally available data on insurance technical risk" will usually consist of industry, national or population statistics which are not necessarily relevant information for a specific portfolio. The first step in using generally available data is to check their relevance in describing the portfolio specific peculiarities.	See No 117
123.	Lucida plc	3.22.	We agree that the valuation process should be documented and checked by an independent person.	Noted
124.	Munich RE	3.22.	"methods which are appropriate" instead of "methods which is appropriate"	See No 115
125.	PEARL GROUP LIMITED	3.22.	"The whole process should be […] checked by [an] independent person". We do not believe this requirement should lead to a full external audit which could prove very burdensome.	See No 111

126.	XL Capital Ltd	3.22.	This paragraph states that "the whole process of valuation should be documented and also checked by independent person". We read this to mean a person independent of the process, rather than of the entity, and would request CEIOPS to clarify that this requirement is not intended to mean a full external audit is necessary.	See No 112
127.	European Insurance CFO Forum	3.23.	The CFO Forum supports the points made in this paragraph.	Noted
128.	Groupe Consultatif	3.23.	"...against previous quarters...". The relevant time period is not necessarily a quarter. The text should be: "...against previous relevant reporting periods".	Agreed See revised text
			"...overseen by an expert...". we assume that this "expert" fulfils the requirements in 3.21, but as this expert is not defined explicitly, a reference would help. (It is written more explicitly in 3.33, that might benefit from an example of this kind of expert which supposedly is "e.g. an actuary meeting these standards"	Agreed See revised text
129.	KPMG ELLP	3.23.	We agree that data is fundamental to the setting of best estimates and the process should be overseen by an expert. It is also important to recognise that there are typically limitations in insurance data but that these limitations do not prevent meaningful analysis being undertaken.	Noted
130.	Lloyd's	3.23.	We agree that data is fundamental to the setting of best estimates and the process should be overseen by an expert. It is also important to recognise that there are typically limitations in insurance data but that these limitations do not prevent meaningful analysis being undertaken.	Noted
131.	Lucida plc	3.23.	To avoid making compulsory a check which might not be applicable it would be helpful to redraft a sentence to read "Some quality	Agreed

			checks must be performed. For example a comparison against previous quarters could be performed"	See revised text.
132.	Milliman	3.23.	We agree that the compilation of data is an important step in the calculation of best estimates and the process should be overseen by an expert. Omitted from the CP, however is recognition that sometimes limitations in the insurance data are so numerous as to prevent its use in any meaningful analysis.	Noted
133.	AAS BALTA	3.24.	The uncertainty associated with the valuation of a (non-life) class of business may not be captured in the data (whether internal or external) available to the undertaking. For example the class may be exposed to legislative change, latency or the risk of high inflation due to medical or social reasons. Allowance for this uncertainty will have to be based on judgement that cannot necessarily be supported by analysis of the data. In these circumstances goodness of fit tests would not be appropriate.	Not agreed It is required that assumptions adequately reflect the uncertainty.
134.	AB Lietuvos draudimas	3.24.	The uncertainty associated with the valuation of a (non-life) class of business may not be captured in the data (whether internal or external) available to the undertaking. For example the class may be exposed to legislative change, latency or the risk of high inflation due to medical or social reasons. Allowance for this uncertainty will have to be based on judgement that cannot necessarily be supported by analysis of the data. In these circumstances goodness of fit tests would not be appropriate.	See No 133
135.	Association of Friendly Societies	3.24.	We would suggest that there should be a mention here specifically on the use of expert judgement in selecting between internal data and external data and that internal data may be distorted by some recent experience that would not be representative of future experience.	Agreed See revised text
136.	CEA, ECO-SLV-09-	3.24.	We request to delete "therefore the goodness of fit tests should be applied"	Not agreed Goodness test is one of a useful

	433			tool to validate assumptions
137.	DENMARK Codan Forsikring A/S (10529638)	3.24.	The uncertainty associated with the valuation of a (non-life) class of business may not be captured in the data (whether internal or external) available to the undertaking. For example the class may be exposed to legislative change, latency or the risk of high inflation due to medical or social reasons. Allowance for this uncertainty will have to be based on judgement that cannot necessarily be supported by analysis of the data. In these circumstances goodness of fit tests would not be appropriate.	See No 133
138.	DIMA (Dublin International Insurance & Management	3.24.	Further details of reporting requirements are required.	Not agreed Details of reporting are not issue of this CP
139.	European Insurance CFO Forum	3.24.	CEIOPS should provide detailed advice on potential “goodness of fit” tests. The CFO Forum agrees that sound statistical techniques, including “goodness of fit” tests should be used to ensure that the assumptions adequately reflect the uncertainty underlying the cash-flows. However, we acknowledge that there are a range of possible statistical techniques with various degrees of complexity and robustness. We recommend that detailed specifications of permitted “goodness of fit” tests be provided as part of level 2 implementing measures.	Not agreed Detail advice not part of this CP.
140.	German Insurance Association – Gesamtverband der D	3.24.	We request to delete “therefore the goodness of fit tests should be applied”	See No 136

141.	Groupe Consultatif	3.24.	"…Assumptions consistent with generally available data on insurance and reinsurance risk should be based on external data, undertaking-specific data, portfolio-specific data or a combination of all the three classes of data." We propose to add a third class of data (portfolio-specific) that could be used to determine the assumptions: "Assumptions consistent with generally available data on insurance and reinsurance risk should be based on external data, undertaking-specific data, portfolio-specific data or a combination of all the three classes of data." "...the goodness of fit tests should be applied." Is there a reason for limiting the undertaker to use only goodness of fit tests in all future? we would prefer "validate the estimates by use of appropriate validations, e.g. goodness of fit tests.". Also cf. Section 3.324-3.326. We would suggest that there should be a mention here specifically on the use of expert judgement in selecting between internal data and external data and that internal data may be distorted by some recent experience that would not be representative of future experience.	Agreed See revised text Agreed See revised text See No 135
142.	Institut des actuaires (France)	3.24.	"…Assumptions consistent with generally available data on insurance and reinsurance risk should be based on external data, undertaking-specific data, portfolio-specific data or a combination of all the three classes of data."	See No 141

			Consistent with general available data on insurance and reinsurance risks: What about the mortality and incapacity tables? Assumptions consistent with generally available data on insurance and reinsurance risk should be based on external data, undertaking-specific data or a combination of both: Results can be very different (for example: reserve for growing risks) What is the meaning of "goodness of fit tests"?	Noted
143.	Investment & Life Assurance Group (ILAG)	3.24.	We would suggest that there should be a mention here specifically on the use of expert judgement in selecting between internal data and external data and that internal data may be distorted by some recent experience that would not be representative of future experience.	See No 135
144.	KPMG ELLP	3.24.	The requirement to apply goodness of fit tests is too onerous in all cases. This paragraph does not appear to allow for expert judgement which may not be consistent with goodness of fit tests for various reasons. We recommend that expert judgement is also allowed.	See No 133
145.	Link4 Towarzystwo Ubezpieczeń SA	3.24.	The uncertainty associated with the valuation of a (non-life) class of business may not be captured in the data (whether internal or external) available to the undertaking. For example the class may be exposed to legislative change, latency or the risk of high inflation due to medical or social reasons. Allowance for this uncertainty will have to be based on judgement that cannot necessarily be supported by analysis of the data. In these circumstances goodness of fit tests would not be appropriate.	See No 133
146.	Lloyd's	3.24.	The requirement to apply goodness of fit tests in all cases is too onerous. This paragraph does not appear to allow for expert judgement, which may not be consistent with goodness of fit tests for various reasons. We suggest that expert judgement is also allowed.	See No 144

147.	Lucida plc	3.24.	This paragraph appears to make goodness-of-fit testing compulsory. There may be circumstances when this is not appropriate.	See No 141
148.	Munich RE	3.24.	Please include reference towards advice on "goodness of fit tests".	Noted
149.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.24.	The uncertainty associated with the valuation of a (non-life) class of business may not be captured in the data (whether internal or external) available to the undertaking. For example the class may be exposed to legislative change, latency or the risk of high inflation due to medical or social reasons. Allowance for this uncertainty will have to be based on judgement that cannot necessarily be supported by analysis of the data. In these circumstances goodness of fit tests would not be appropriate.	See No 133
150.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.24.	The uncertainty associated with the valuation of a (non-life) class of business may not be captured in the data (whether internal or external) available to the undertaking. For example the class may be exposed to legislative change, latency or the risk of high inflation due to medical or social reasons. Allowance for this uncertainty will have to be based on judgement that cannot necessarily be supported by analysis of the data. In these circumstances goodness of fit tests would not be appropriate.	See No 133
151.	OAC Actuaries and Consultants	3.24.	We would suggest that there should be a mention here specifically on the use of expert judgement in selecting between internal data and external data and that internal data may be distorted by some recent experience that would not be representative of future experience.	See No 135
152.	RSA Insurance Group PLC	3.24.	The uncertainty associated with the valuation of a (non-life) class of business may not be captured in the data (whether internal or external) available to the undertaking. For example the class may be exposed to legislative change, latency or the risk of high inflation due to medical or social reasons. Allowance for this	See No 133

			uncertainty will have to be based on judgement that cannot necessarily be supported by analysis of the data. In these circumstances goodness of fit tests would not be appropriate.	
153.	RSA Insurance Ireland Ltd	3.24.	The uncertainty associated with the valuation of a (non-life) class of business may not be captured in the data (whether internal or external) available to the undertaking. For example the class may be exposed to legislative change, latency or the risk of high inflation due to medical or social reasons. Allowance for this uncertainty will have to be based on judgement that cannot necessarily be supported by analysis of the data. In these circumstances goodness of fit tests would not be appropriate.	See No 133
154.	RSA - Sun Insurance Office Ltd.	3.24.	The uncertainty associated with the valuation of a (non-life) class of business may not be captured in the data (whether internal or external) available to the undertaking. For example the class may be exposed to legislative change, latency or the risk of high inflation due to medical or social reasons. Allowance for this uncertainty will have to be based on judgement that cannot necessarily be supported by analysis of the data. In these circumstances goodness of fit tests would not be appropriate.	See No 133
155.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.24.	The uncertainty associated with the valuation of a (non-life) class of business may not be captured in the data (whether internal or external) available to the undertaking. For example the class may be exposed to legislative change, latency or the risk of high inflation due to medical or social reasons. Allowance for this uncertainty will have to be based on judgement that cannot necessarily be supported by analysis of the data. In these circumstances goodness of fit tests would not be appropriate.	See No 133
156.	XL Capital Ltd	3.24.	*Note SDD – there's nothing in the original document either*	
157.	CEA, ECO-SLV-09-	3.25.	The statement: "The selection of the appropriate method should be based on the level granularity and the verifiability of data." is incomplete.	Agreed See revised text

	433		☐ We suggest that this is replaced with: "The choice of method should consider, among other things, the quality, quantity and reliability of the available data, all important characteristics of the business to be analysed and the age of the year of account being developed."	
158.	Institut des actuaires (France)	3.25.	If methods are not harmonized, it would prevent from the objective of transparency and comparability. It also raises a risk on terms of competition and risks of bankruptcy. The method should be designed in such a way as to ensure that the assumptions and parameters used in the method will be clear and explicit. Who determines the method and with which constraint (control, sanctions,…) ? CP 26 has only proposed general principles but not detailed rules on the way to fix assumptions in each specific situation.	Noted
159.	KPMG ELLP	3.25.	The choice of the method (or methods) is a key requirement in the reserving process and should be left to expert judgement rather than prescription. In addition to stress and scenario testing a particular method, we suggest it should be recognised that a number of methods may be run and expert judgement used to select the most appropriate (or combination there of).	Agreed See revised text.
160.	Lloyd's	3.25.	The choice of the method (or methods) is a key requirement in the reserving process and should be left to expert judgement rather than prescription. In addition to the stress and scenario testing of a particular method, we suggest it is recognised that a number of methods may be run and expert judgement used to select the most appropriate (or combination thereof).	See No 159
161.	Milliman	3.25.	Especially with respect to non-life insurance, the selection of the appropriate method or methods should be based on actuarial	See No 159

			judgment (in addition to the granularity and verifiability of the data). The application of multiple appropriate methods can shed light on the key drivers and uncertainties in addition to stress/scenario tests. A reasonable approach would be to credibility weight the results of multiple appropriate methods.	
162.	Pricewaterhou seCoopers LLP	3.25.	We refer to our submitted comments on Consultation Paper 26. It should be asserted that the choice of method is subjective and a final reserve estimate could, for example be based on a blend of methods.	See No 159
163.	Pricewaterhou seCoopers LLP	3.25.	We refer to our submitted comments on Consultation Paper 26. It should be asserted that the choice of method is subjective and a final reserve estimate could, for example be based on a blend of methods.	See No 159
164.	XL Capital Ltd	3.25.	"The selection of the appropriate method should be based on the level granularity and verifiability of the data." The context of the terms "granularity" and "verifiability" causes concern. In our company we deem data verifiable if it can be reconciled to an audited data source like the financial statements and accordingly verify the data on a summarized level to match the level held in the financial statements. If only data that can be verified to the matching granularity of an audited source can be used in the development of the best estimate then this will be overly restrictive. We ask that the term verifiable be defined in the context of this statement.	Agreed See revised advice
165.	Association of Run-Off Companies	3.26.	This paragraph refers to "….appropriateness of assumptions and parameters should be supported by an adequate number of underlying data". In some situations (e.g. where there is reliance on legacy systems) there may be practical limitations attaching to the data, where the cost of enhancing the data completeness and quality may be high relative to the corresponding benefit. Hence, it	Not agreed Proportionality is not part of this CP

			would be helpful if CEIOPS could acknowledge that "….an adequate number of underlying" data may not always be available without incurring disproportionate levels of expense, and comment on the implications of this.	
166.	Institut des actuaires (France)	3.27.	regularly comparison against experience: necessary but not sufficient The decision could not be in the only hand of the undertaking ; necessity of intervention of external and independent expert or authority.	Noted
167.	Lucida plc	3.27.	We agree that systematic deviations would indicate the need to adjust the methods or assumptions and welcome the use of the term 'systematic' in this paragraph	Noted
168.	European Insurance CFO Forum	3.28.	The CFO Forum supports the points made in this paragraph.	Noted
169.	Lloyd's	3.28.	Where other areas of the business have materially different views this should be recorded.	Not agreed Not only materially different views should be recorded.
170.	Lucida plc	3.28.	We agree that the views from other areas should be sought and captured. This may be better achieved by sharing the results of experience analysis with other areas rather than the results as a whole. It is not clear that the use of the word "expert" is appropriate here as it is unclear whether the expertise should be in Technical Provisions or their own department. Perhaps it could be redrafted as "Views from other areas of business should be captured…" – This also applied to 3.34	Agreed See revised text Agreed See revised text
171.	Groupe Consultatif	3.29.	How this is to be carried out in practice should be specified – we would see it as natural that this should be associated with the	Not agreed

			responsibilities of the actuarial function under Article 47 and that the report under that Article should be available to the supervisor.	Not part of this CP
172.	Institut des actuaires (France)	3.29.	Upon request from the supervisory authority undertakings shall demonstrate the appropriateness of the level of their technical provisions: We expect level 3 appropriated measures to specify this issue et discribe pricesely the tools and methods that supervisors will use to increase the amount of technical provisions (need of fair competition: references to local statistics)	Not agreed Not part of this CP
173.	AAS BALTA	3.30.	We strongly agree that expert judgement will be needed for the valuation of technical provisions.	Noted
174.	AB Lietuvos draudimas	3.30.	We strongly agree that expert judgement will be needed for the valuation of technical provisions.	See No 173
175.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCE S DU	3.30.	We welcome the emphasis placed by CEIOPS on the importance of expert judgment in setting technical provisions – also related to 3.32. It would be nice: • to identify one or more methods for measuring the relevance and robustness of the process	Noted Noted
176.			Confidential comment deleted.	
177.	CEA, ECO-SLV-09-433	3.30.	The use of the phrase "uncertainty in the estimation" could be interpreted as requiring prudent margins even though such uncertainty is already allowed for in the risk margin. ☐ We recommend that this paragraph is changed to: "Valuation of best estimate liabilities is a process which requires expert judgement in a number of areas, for example regarding the credibility to assign historical data and to what extent reliance should be placed on prospective models. It also requires	Not agreed The uncertainty in the estimate is useful and important information.

			analysis of the underlying liabilities and the collection of qualitative information”. Please see also the discussions of the risk margin in our comments to Para 3.31.	
178.	DENMARK Codan Forsikring A/S (10529638)	3.30.	We strongly agree that expert judgement will be needed for the valuation of technical provisions.	See No 173
179.			Confidential comment deleted.	
180.	Institut des actuaires (France)	3.30.	expert judgement : This expert judgement is indeed needed, but: - who appoints him - who controls him - what guarantee of independence This has to be ruled	Not agreed These questions are not the issue of this CP
181.	KPMG ELLP	3.30.	We strongly agree that the process of setting best estimate reserves relies heavily on expert judgement and welcome this recognition. We note that understanding uncertainty when making best estimates is important and will lead to a best estimate that is a mean, i.e. probability weighted average. It does not require that specific uncertainty loads are made which we do not believe are consistent with the principles of Solvency II.	Noted
182.	Link4 Towarzystwo Ubezpieczeń SA	3.30.	We strongly agree that expert judgement will be needed for the valuation of technical provisions.	See No 173
183.	Lloyd’s	3.30.	We strongly agree that the process of setting best estimate	See No 181

			reserves relies heavily on expert judgement and welcome this recognition. We note that understanding uncertainty when making best estimates is important and will lead to a best estimate that is a mean, i.e. probability weighted average. It does not require that specific uncertainty loads are made, which we do not believe are consistent with the principles of Solvency II.	
184.	Milliman	3.30.	We strongly agree that the process of setting best estimate reserves relies heavily on expert judgment and welcome this recognition.	See No 181
185.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.30.	We strongly agree that expert judgement will be needed for the valuation of technical provisions.	See No 173
186.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.30.	We strongly agree that expert judgement will be needed for the valuation of technical provisions.	See No 173
187.	PricewaterhouseCoopers LLP	3.30.	We welcome acknowledgement that expert judgement is required.	Noted
188.	PricewaterhouseCoopers LLP	3.30.	We welcome acknowledgement that expert judgement is required.	See No 187
189.	RSA Insurance Group PLC	3.30.	We strongly agree that expert judgement will be needed for the valuation of technical provisions.	See No 173
190.	RSA Insurance Ireland Ltd	3.30.	We strongly agree that expert judgement will be needed for the valuation of technical provisions.	See No 173

191.	RSA - Sun Insurance Office Ltd.	3.30.	We strongly agree that expert judgement will be needed for the valuation of technical provisions.	See No 173
192.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.30.	We strongly agree that expert judgement will be needed for the valuation of technical provisions.	See No 173
193.	XL Capital Ltd	3.30.	We agree that the valuation of technical provisions requires expert judgement in a number of areas.	Noted
194.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.31.	And this is more critical for those typical kinds of risks for which no statistical models are available because of the lack of experience (emerging risks, outstanding claims, niches,…)	Noted
195.	AMICE	3.31.	CEIOPS states that the valuation of technical provisions should take into account a variety of techniques including the application of judgement based on sound reasoning and business logic. AMICE members believe that the "application of judgement based on sound reasoning" is not a technique but results from good sense.	Agreed Besides variety of techniques the valuation should also consider application of judgement.
			More guidance is needed to understand the scope of business logic.	Noted
196.	CEA, ECO-SLV-09-433	3.31.	This CP only covers best estimate liabilities therefore we believe the risk margin to be out of the scope of this paper. The need for expert judgement primarily applies to best estimate liabilities and not the risk margin as the latter is essentially a formulaic calculation. ☐ We recommend that "technical provisions" is replaced with	Agreed See revised text

			"best estimate liabilities". We request that these requirements are reworded.	
			Ceiops says that "the valuation of technical provisions should take into account a variety of techniques including the application of judgement based on sound reasoning and business logic". ☐ We believe that the application of judgement based on sound reasoning should not be classified a technique and we request that Ceiops rewords the text to reflect this.	See 195
			☐ There is no clear definition of the term "business logic" so we request some examples as to what this term covers or alternatively the removal of this requirement - a requirement for "judgement based on sound reasoning" is sufficient.	See No 195
197.	Institut des actuaires (France)	3.31.	We need to add how the expert is controlled It would be sometimes dangerous to let the expertise in the sole hand of the insurer (classic example of bankruptcy with the inverse cycle of the insurance business).	Not agreed This is not the issue of this CP
198.	KPMG ELLP	3.31.	We strongly agree that simply applying models is not a suitable approach to setting best estimate provisions.	Noted
199.	Lloyd's	3.31.	We strongly agree that simply applying models is not a suitable approach to setting best estimate provisions.	See No 198
200.	Milliman	3.31.	We strongly agree that simply applying models is not a suitable approach to setting best estimate provisions.	See No 198

201.	Pricewaterhou seCoopers LLP	3.31.	We welcome acknowledgement that full reliance should not be placed on use of models.	Noted
202.	Pricewaterhou seCoopers LLP	3.31.	We welcome acknowledgement that full reliance should not be placed on use of models.	See No 201
203.	RBS Insurance	3.31.	Typo "take into account" rather than "taking"	Agreed See revised text
204.	ROAM	3.31.	ROAM believes that this principle is based on common sense.	Noted
205.	XL Capital Ltd	3.31.	We agree that the valuation of technical provisions should therefore not rely solely on models.	Noted
206.	Association of Friendly Societies	3.32.	We suggest you add "judgement on the choice of assumptions and on the appropriateness of the valuation method"	Not agreed This is part of second and third bullet point
207.	CEA, ECO-SLV-09-433	3.32.	This CP only covers best estimate liabilities therefore we believe the risk margin to be out of the scope of this paper. The suggested process is only relevant for best estimate liabilities. ☐ We recommend that "technical provisions" is replaced with "best estimate liabilities" throughout this paragraph.	See No 196
208.	Groupe Consultatif	3.32.	"The valuation of the technical provisions is a process that includes: - collection and analysis of data; - determination of assumptions for valuation of technical provisions; - modelling (quantification of technical provisions); - assessment and appropriateness of estimations; - controls	Agreed See revised text

			- and detailed documentation" We suggest you add "judgement on the choice of assumptions and on the appropriateness of the valuation method"	See No 206
209.	Institut des actuaires (France)	3.32.	"The valuation of the technical provisions is a process that includes: - collection and analysis of data; - determination of assumptions for valuation of technical provisions; - modelling (quantification of technical provisions); - assessment and appropriateness of estimations; - controls - and detailed documentation"	See No 208
210.	Investment & Life Assurance Group (ILAG)	3.32.	We suggest you add "judgement on the choice of assumptions and on the appropriateness of the valuation method".	See No 206
211.	KPMG ELLP	3.32.	Modelling usually refers to the process of building the structure of a model as opposed to parameterising it and running it ie getting the outputs out of the model.	Agreed See revised text
212.	Lloyd's	3.32.	The description of the process for setting technical provisions is appropriate.	Noted
213.	OAC Actuaries and	3.32.	We suggest you add "judgement on the choice of assumptions and on the appropriateness of the valuation method"	See No 206

	Consultants			
214.	AMICE	3.33.	CEIOPS states that the valuation process should be overseen by an expert with sufficient knowledge. More guidance is needed on the basis on which the expert´s capabilities will be judged. This guidance should be part of the Level 3 guidance.	Noted
215.			Confidential comment deleted.	
216.	CEA, ECO-SLV-09-433	3.33.	"An expert with sufficient knowledge of actuarial and financial mathematics" is a rather vague statement. We suggest referring to the actuarial function, which is defined in other texts	Not agreed This is the wordings of Article 47(2)
217.	European Insurance CFO Forum	3.33.	*Note SDD – there's nothing in the original document either*	
218.	European Union member firms of Deloitte Touche To	3.33.	In the blue box no specific notion is made in line with the point described in 3.22, where it states that the whole process of valuation should be checked by an independent person. We suggest adding in the advice the requirement for an independent review of the valuation process by a person who is sufficiently qualified to fulfil the actuarial tasks.	Agreed See revised text
219.	German Insurance Association – Gesamtverband der D	3.33.	"An expert with sufficient knowledge of actuarial and financial mathematics" is a rather vague statement. We suggest referring to the actuarial function as mentioned in Article 47 of the FD.	See No 216
220.	Groupama	3.33.	On which basis will the expert capabilities be judged?	This is out of the scope of this CP
221.	Groupe Consultatif	3.33.	"An expert with sufficient knowledge of actuarial and financial mathematics" is a rather vague statement. We suggest referring to the actuarial function, which is defined in other texts.	See No 216
222.	KPMG ELLP	3.33.	We strongly agree that a combination of experience and technical	Noted

			knowledge is key to the oversight of the technical provision process.	
223.	Lloyd's	3.33.	We strongly agree that a combination of experience and technical knowledge is key to oversight of the technical provision process.	See No 222
224.	Milliman	3.33.	We strongly agree that a combination of experience and technical knowledge is very important to the oversight of the technical provision process.	Noted
225.	AAS BALTA	3.34.	The sharing of results and creation of feedback loops with other experts is an important part of the valuation process and we agree this should be encouraged.	Noted
226.	AB Lietuvos draudimas	3.34.	The sharing of results and creation of feedback loops with other experts is an important part of the valuation process and we agree this should be encouraged.	See No 225
227.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.34.	For little-size undertakings, this will be hard to achieve. Define a layout for the documentation, which is shared by the market, standardized the process and in order to facilitate the work of supervisors	Not agreed This is out of the scope of this CP
228.	AMICE	3.34.	CEIOPS underlines that all steps in the process of the valuation of technical provisions should be documented and results should be shared with experts from other business areas such as underwriting, pricing, and claims. The views of these experts should be taken up and included in the feedback loop where necessary. AMICE members underline the fact that hypothesis and economic analysis should be coherent across the different business domains (i.e. underwriting, pricing and provisioning). However, documentation and result sharing should not lead to the setting up of a system based on cross-sectoral peer reviews among experts from different fields, which would be very burdensome.	Noted

229.	Association of British Insurers	3.34.	CEIOPS suggests that results from the valuation of the technical provisions should be shared with experts from other business areas. However, we believe that instead of sharing all of the results it would be more appropriate to focus on the derivation of assumptions and then ensure relevant messages go back experts within the company who need to use these assumptions. This more targeted exercise would be more proportionate than a blanket requirement to involve company experts in all steps of the process of valuing technical provisions.	Agreed See revised text
230.	CEA, ECO-SLV-09-433	3.34.	The requirements appear too onerous, proportionality should apply. Ceiops outlines that results from the valuation of the technical provisions should be shared with experts from other business areas. However, we believe that although the valuation of technical provisions could benefit from the views of other experts, it should be outlined as a recommendation and not as a requirement. It is not clear what "All steps" is referring to? We assume that it refers to the items in 3.32? We request that Ceiops states clearly in their paper what they are referring to. ☐ We request that "results should be shared" is changed to "results may be shared". ☐ We recommend that the principle of proportionality should be outlined in particular when it comes to the valuation process. ☐ We request that "All steps" should be replaced by "All relevant steps" for practical reasons.	Not agreed Proportionality not part of this CP Not agreed Views of the experts are a part of the valuation process. Agreed See revised text Not agreed Sharing the results is part of valuation process Not agreed Proportionality not part of this CP Not agreed All steeps should be documented

			☐ We request that the first sentence is changed to: "experts from other business areas which depending on the business line and internal structure may include areas such as underwriting, pricing, and claims"	Agreed See revised text
231.	CRO Forum	3.34.	The advice suggests that all steps in the process of valuation be documented. We agree with this principle but we would suggest to avoid producing too much detailed report and focusing only on the material steps of the process.	See No 230
232.	DENMARK Codan Forsikring A/S (10529638)	3.34.	The sharing of results and creation of feedback loops with other experts is an important part of the valuation process and we agree this should be encouraged.	Noted
233.	European Insurance CFO Forum	3.34.	It is not clear whether "all steps" refers to those set out in 3.32. Further clarification is required. The CFO Forum recommends sharing results and assumptions "wherever appropriate". Amendment as follows: "All steps in the process of valuation of technical provisions should be documented and, wherever appropriate, results and assumptions should be shared with experts from other departments, which may include departments such as underwriting, pricing, and claims depending on the nature of the business and internal structure. View of…".	See No 230 Agreed See revised text
234.	FFSA	3.34.	CEIOPS outlines that results from the valuation of technical provisions should be shared with experts from other business areas. FFSA believes that although the valuation of technical provisions could benefit from the views of other experts, it should be outlined as a recommendation and not as a requirement. Also, care is	See No 230

			needed to avoid the overlap between the different areas. Also, FFSA recommends that the principle of proportionality should be outlined in particular when it comes to the valuation process.	
235.			Confidential comment deleted.	
236.	German Insurance Association – Gesamtverband der D	3.34.	The requirements appear too onerous, proportionality should apply CEIOPS outlines that results from the valuation of the technical provisions should be shared with experts from other business areas. However, we believe that although the valuation of technical provisions could benefit from the views of other experts, it should be outlined as a recommendation and not as a requirement. It is not clear what "All steps" is referring to? We assume that it refers to the items in 3.32? Please clarify this. ☐ We request that "results should be shared" is changed to "results may be shared". ☐ We recommend that the principle of proportionality should be outlined in particular when it comes to the valuation process. ☐ We request that "All steps" should be replaced by "All relevant steps" for practical reasons. ☐ We request to change the first sentence: "… experts from other business areas which depending on the line of business and internal structure may include areas such as underwriting, pricing, and claims.."	See No 230
237.	KPMG ELLP	3.34.	We agree that adequate documentation should exist in the reserving process, subject to proportionality. We also agree that the results should be shared with technical experts from other business areas. The views of other experts should be documented. It is common for different areas of the business to have different views, for example actuaries and underwriters.	Noted

238.	Link4 Towarzystwo Ubezpieczeń SA	3.34.	The sharing of results and creation of feedback loops with other experts is an important part of the valuation process and we agree this should be encouraged.	See No 232
239.	Lloyd's	3.34.	We agree that adequate documentation should exist in the reserving process, subject to proportionality. We also agree that the results should be shared with technical experts from other business areas. The views of other experts should be documented. It is common for different areas of the business to have different views, for example actuaries and underwriters.	See No 237
240.	Milliman	3.34.	We agree that adequate documentation should exist in the reserving process, subject to proportionality. We strongly agree that the results of analysis, including the back-testing of selected models, should be shared with technical experts from other business areas (underwriting, pricing, claims). We strongly agree that views of these technical experts should be captured, documented, and dialled into subsequent analyses (if necessary).	See No 237
241.	Munich RE	3.34.	Does "All steps" refer to the items in 3.32? Please clarify. Otherwise "All steps" should be replaced by "All relevant steps" because of practicability reasons.	See No 230
242.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.34.	The sharing of results and creation of feedback loops with other experts is an important part of the valuation process and we agree this should be encouraged.	See No 232
243.	NORWAY: Codan Forsikring (Branch	3.34.	The sharing of results and creation of feedback loops with other experts is an important part of the valuation process and we agree this should be encouraged.	See No 232

	Norway) (991 502			
244.	PEARL GROUP LIMITED	3.34.	CEIOPS outlines that results from the valuation of the technical provisions should be shared with experts from other business areas. However, we believe that although the valuation of technical provisions could benefit from the views of other experts, it should be outlined as a recommendation and not as a requirement.	See No 236
245.	Pricewaterhou seCoopers LLP	3.34.	We believe that proportionality and materiality should be borne in mind when documenting "All steps of the process…."	See No 230
246.	Pricewaterhou seCoopers LLP	3.34.	We believe that proportionality and materiality should be borne in mind when documenting "All steps of the process…."	See No 245
247.	RBS Insurance	3.34.	Suggest the words "All steps in" can be removed. Also typo "experts from" rather than "experts form"	Agreed See revised text
248.	RSA Insurance Group PLC	3.34.	The sharing of results and creation of feedback loops with other experts is an important part of the valuation process and we agree this should be encouraged.	See No 232
249.	RSA Insurance Ireland Ltd	3.34.	The sharing of results and creation of feedback loops with other experts is an important part of the valuation process and we agree this should be encouraged.	See No 232
250.	RSA - Sun Insurance Office Ltd.	3.34.	The sharing of results and creation of feedback loops with other experts is an important part of the valuation process and we agree this should be encouraged.	See No 232
251.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.34.	The sharing of results and creation of feedback loops with other experts is an important part of the valuation process and we agree this should be encouraged.	See No 232
252.	ACA –	3.35.	We would prefer "explain" instead of "demonstrate".	Not agreed

	ASSOCIATION DES COMPAGNIES D'ASSURANCE S DU			Word demonstrate was used in Article 83
253.	Association of British Insurers	3.35.	The wording ("the undertaking shall demonstrate") may suggest a quantitative comparison which will be very difficult to implement in practice. Instead, the explanation is likely to be narrative, supported by figures where appropriate.	See No 252
254.	CEA, ECO-SLV-09-433	3.35.	Rather than a "requirement to demonstrate" the undertaking should "be able to explain". We are concerned with the language used throughout the text of the CP which requires the "undertaking to demonstrate" or "…to show" or "… to quantify". This wording suggests a quantitative comparison which will be very difficult to implement in practice. It would be more appropriate to require a qualitative explanation instead. ☐ We suggest that the wording is adjusted to read: *"Upon request from the supervisory authority the undertaking shall ~~demonstrate the robustness of~~ be able to explain the valuation process including"*	See No 252
255.	European Insurance CFO Forum	3.35.	The CFO Forum recommends replacing "demonstrate" with one of "explain" or "describe" or "justify".	See No 252
256.	German Insurance Association – Gesamtverban d der D	3.35.	Rather than a "requirement to demonstrate" the undertaking should "be able to explain" We are concerned with the language used throughout the text of the CP which requires "undertaking to demonstrate" or "…to show" or "… to quantify". This wording suggests a quantitative comparison	See No 252

			which will be very difficult to implement in practice. It would be more appropriate to require a qualitative explanation instead. ☐ *We suggest that the wording is adjusted to read "Upon request from the supervisory authority the undertaking shall ~~demonstrate the robustness of~~ be able to explain the valuation process including …"*	
257.	Groupe Consultatif	3.35.	This paragraph should also mention the importance of financial data when considering for example Monte-Carlo simulations.	Agreed See revised text
258.	Institut des actuaires (France)	3.35.	This paragraph should also mention the importance of financial data when considering for example Monte-Carlo simulations.	See No 257
259.	KPMG ELLP	3.35.	It is acceptable for supervisory authorities to be able to request a (re)insurance undertaking to demonstrate the process, rationale and results of the best estimates, subject to reasonable application.	Not agreed Subject to reasonable application is not part of this CP
260.	Legal & General Group	3.35.	The use of the term "demonstrate" is unclear. How would one demonstrate the robustness of the valuation process? A better alternative would be to "explain" or "describe" the robustness.	See No 252
261.	Lloyd's	3.35.	It is acceptable for a supervisory authority to be able to request that an undertaking demonstrate the process, rationale and results of the best estimates, subject to reasonable application.	See No 259
262.	PEARL GROUP LIMITED	3.35.	The wording ("the undertaking shall demonstrate") suggests a quantitative comparison which will be very difficult to implement in practice. It would be more appropriate to require a qualitative explanation instead.	See No 252
263.	RBS Insurance	3.35.	Suggest the word "demonstrate" is replaced by the word "explain" as demonstrate suggests a level of rigorous proof that may not be achievable in practice.	See No 252
264.	XL Capital Ltd	3.35.	"Upon request from the supervisory authority the undertaking shall	Not agreed

			demonstrate the robustness of the valuation process…” This is a strongly worded requirement, and it is not clear how CEIOPS envisage this would be communicated.	This is part of requirement in Article 83
265.			Confidential comment deleted.	
266.	Groupe Consultatif	3.37.	“Therefore in this advice all the future cash-flows should be understood as gross, as the fulfillment of contractual and commercial (for life insurance: legal obligation plus discretionary benefits) obligations between the undertaking and policyholder.” Alternatively we propose to skip the word “contractual” in the following sentence and change it into “all”. We think ´all obligations’ should be taken into account. Besides contractual obligations this could also be commercial obligations in these cases where the insurer has committed it self even though this is not included contractually.	Not agreed Only contractual obligations are part of technical provisions. Discretionary benefits are contractual obligation.
267.	Institut des actuaires (France)	3.37.	“Therefore in this advice all the future cash-flows should be understood as gross, as the fulfillment of contractual and commercial obligations between the undertaking and policyholder.”	See No 266
268.	Lucida plc	3.38.	We agree that all potential cashflows should be identified and valued	Noted
269.	ACA – ASSOCIATION DES COMPAGNIES D’ASSURANCE S DU	3.39.	Cash flow projections for “Long term Health Insurance business” should allow for simplification in view of existing clauses for tariff adaptation.	Not agreed Simplifications are not part of this CP.
270.	AMICE	3.39.	More guidance is needed on how to take account of “potential future cash flows” such as legal, technological or social developments.	Not agreed Guidance on how to take account of “potential future cash flows” such as legal, technological or

				social developments are not part of this CP.
271.	Association of British Insurers	3.39.	We agree in principle with the inclusion of demographic, legal, medical, technological, social and economic changes but are concerned by the practical implications of this requirement. Such inclusions should have a defined purpose and should not result in the introduction of prudence margins in the reserves, either directly by the insurance company, or via a supervisory review. This could largely be remedied by explaining that insurers should take account of "reasonably foreseeable changes".	See No 270
272.	CEA, ECO-SLV-09-433	3.39.	See comments to Para 3.82.	
273.	FFSA	3.39.	*Note SDD – there's nothing in the original document either*	
274.			Confidential comment deleted.	
275.	German Insurance Association – Gesamtverband der D	3.39.	See comments to Para 3.82.	
276.	KPMG ELLP	3.39.	Inflationary drivers for general insurance claims are often complex and opaque, particularly in commercial lines. Many commonly used actuarial methods in general insurance rely on implicit assumptions regarding claims inflation. Explicit assumptions regarding future inflation should be required only when expert judgment determines that the implicit assumptions underlying the reserving method are not appropriate.	Not agreed Second indent of Article 77 requires that inflation, including expenses and claims inflation should be taken into account when calculating technical provisions.
277.	Lloyd's	3.39.	Inflationary drivers for general insurance claims are often complex and opaque, particularly in commercial lines. Many commonly used	See No 276

			actuarial methods in general insurance rely on implicit assumptions regarding claims inflation. Explicit assumptions regarding future inflation should be required only when expert judgment determines that the implicit assumptions underlying the reserving method are not appropriate.	
278.	Lucida plc	3.39.	Although it is accepted that potential future cash-flows could change due to demographic, legal, medical, technological, social or economic developments, it is not clear how to incorporate some of these into "probability-weighted" calculations. In particular the prediction of future legal or social developments is something that would be very difficult to do with any degree of confidence. It might be more appropriate to require firms to make best endeavours to make allowance for these future developments. This also applies to 3.82, 3.264 and 3.286	See No 270
279.	PEARL GROUP LIMITED	3.39.	We agree in principle with the inclusion of demographic, legal, medical, technological, social and economic changes but are concerned by the practical implications of this requirement. Such inclusions should have a defined purpose and should not result in the introduction of prudence margins in the reserves, either directly by the insurance company, or via a supervisory review.	See No 270
280.	SOGECORE	3.39.	We strongly believe that should be defined a common understanding of an inflation model as we think it would be an open door on too many distortions and results could differ considerably from the best estimate	Noted
281.	XL Capital Ltd	3.39.	*Note SDD – there's nothing in the original document either*	
282.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCE	3.40.	See 3.44	

	S DU			
283.	Association of Run-Off Companies	3.40.	For run-off portfolios, there may not be any future premiums, and hence it would be helpful if this paragraph included the words "where relevant".	Agreed See revised text
284.	CEA, ECO-SLV-09-433	3.40.	See comments to Para 3.86.	
285.	Dutch Actuarial Society – Actuarieel Genootschap (	3.40.	We agree with the statement that investment returns should not be part of the cash in-flows.	Noted
286.	FFSA	3.40.	FFSA thinks that this point should be clarified to identify which investment returns should not be taken into account. In particular, FFSA understands that investments earned on assets backing insurance liabilities should be taken into account.	Not agreed Investments earned on assets backing insurance liabilities should not be part of cash in-flow.
287.			Confidential comment deleted.	
288.	German Insurance Association – Gesamtverband der D	3.40.	See comments to Para 3.86.	
289.	Groupe Consultatif	3.40.	"...at least future premiums...". It should be emphasized that it refers to contractually agreed future premiums.	Agreed See revised text
290.	KPMG ELLP	3.40.	We agree cashflows should exclude investment returns but will allow for the time value of money in the calculation.	Noted

291.	Lloyd’s	3.40.	We agree that cash-flows should exclude investment returns, but they should allow for the time value of money in the calculation.	See No 290
292.	Lucida plc	3.40.	Exclusion of future investment returns may not be appropriate, particularly where future benefits or expenses are dependent on them.	Not agreed Cash in-flow should not include investment returns but benefits or expenses should take into account future investment returns if they are dependent on them.
293.	Milliman	3.40.	We agree cash in-flows should exclude investment returns.	Noted
294.	ROAM	3.40.	ROAM thinks that this point should be clarified to identify which investment returns should not be taken into account. In particular, ROAM understands that investments earned on assets backing insurance liabilities should be taken into account.	See No 286
295.	Danish Insurance Association	3.41.	It should be clarified that this relates to surplus funds other than surplus funds under Article 90(2), cf. paragraph 3.107	Agreed See revised text
296.	Institut des actuaires (France)	3.41.	OK to split the management costs of the reserves towards the insured people	Noted
297.	ACA – ASSOCIATION DES COMPAGNIES D’ASSURANCE S DU	3.43.	Since new business is excluded from the best estimate, how do we have to manage the inclusion of acquisition costs? Are these only acquisition costs related to future premiums?	These are only acquisition cost related to existing business.
298.	Association of British Insurers	3.43.	The Solvency II framework does not consider any new business in the Best Estimate. Therefore, we would request CEIOPS clarifies that the so called “acquisition expenses” to be considered only relate to future premiums on existing business and therefore	Agree See revised text

			exclude acquisition expenses related to new business premiums as long as they are not included in the valuation of the best estimate. See also comment to Para 3.89.	
299.	CEA, ECO-SLV-09-433	3.43.	Acquisition expenses relating to existing business only should be included within the best estimate. The Solvency II framework does not consider any new business in the Best Estimate. Therefore, we would request Ceiops clarifies that the so called "acquisition expenses" to be considered only relate to future premiums on existing business and therefore exclude acquisition expenses related to new business premiums which are not included in the valuation of the best estimate. See also comment to Para 3.89.	See No 298
300.	Danish Insurance Association	3.43.	It follows from CP 30 (3.27) that the best estimate relates to existing contracts only. Hence, there seems to be a need to clarify which acquisition expenses should be included in the best estimate – surely not all future costs related to acquiring new customers?	See No 298
301.	Federation of European Accountants (FEE)	3.43.	Acquisition costs refer only to those costs, which – under a prospective approach – an entity is expected to incur for existing contacts, e.g. renewal commissions to agents or renewal cost for forwarding new documentation to policyholders as a consequence of renewal. It should be clarified that acquisition costs for future contracts are not contractual costs that should be included in the valuation of current contracts. It is unclear why the terms "expenses" and "cost" are used. There is a conceptual difference between costs and expenses and it not clear why the two different terms are used.	See No 298 Noted
302.	FFSA	3.43.	The Solvency II framework does not consider any new business in Best Estimate and SCR calculations; therefore FFSA would like CEIOPS' to clarify that the "so called" acquisition expenses to be	See No 298

			considered only relate to future premiums on existing business and therefore exclude acquisition expenses related to new business premiums as long as they are not included in the valuation of the best estimate. FFSA believes that this is consistent with 3.97.	
303.	German Insurance Association – Gesamtverband der D	3.43.	See comment to Para 3.89.	
304.	Groupe Consultatif	3.43.	The arguments for letting existing policyholders paying for advertising (which supposedly is mainly aimed at acquiring new customers) are missing. Also expenses connected with the development of new products concerns me. Is there a clear reason why technical provisions for existing contracts should include these costs?	See No 298
305.	KPMG ELLP	3.43.	(a)These types of expenses are not usually included in the technical reserves. In particular, acquisition costs refer only to those costs, which – under a prospective approach – are expected to incur for existing contacts subsequent to outset, e.g. renewal commissions to agents or renewal cost for forwarding new documentation to policyholders as a consequence of renewal. It should be clarified that acquisition costs for future contracts (such as advertising) are not contractual cost of current contracts to be measured. (b)It is further unclear why partly the term “expenses” is used and partly the term “cost”. There is a conceptual difference between cost and expenses and it not clear whether the differentiation refers to that.	See No 298 See No 301
306.	ROAM	3.43.	The Solvency II framework does not consider any new business in Best Estimate and SCR calculations; therefore ROAM would like CEIOPS’ to clarify that the “so called” acquisition expenses to be	See No 298

			considered only relate to future premiums on existing business and therefore exclude acquisition expenses related to new business premiums as long as they are not included in the valuation of the best estimate. ROAM believes that this is consistent with 3.97.	
307.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.44.	Investment management expenses are included in the BE. 1. It is not clear what to do with the expenses coming out from free assets. Why should they be at all allocated with liabilities? On which basis? inclusive risk margin or not? 2. It seems inconsistent to take expenses into account in the liabilities and their return in the assets. It might be better and easier to include them in the assets.	Not agreed Technical provisions should take into account all expenses that will be incurred in servicing insurance and reinsurance obligations including investment management expenses.
308.	AMICE	3.44.	AMICE members point out that investment management expenses are not usually included in the technical provisions' calculation.	See No 307
309.	CEA, ECO-SLV-09-433	3.44.	See comment to Para 3.89.	
310.	Danish Insurance Association	3.44.	Referring to the comment to 3.43 it cannot be the case that all future costs related to acquiring new customers should be included in the best estimate.	Agreed See revised text
311.	European Insurance CFO Forum	3.44.	Comments in 3.89 are also relevant here.	
312.	FFSA	3.44.	Since no new business is taken into account, acquisition commissions should be limited to future premiums linked to existing contracts. If not, this would not be consistent with paragraph 3.97.	See No 298
313.			Confidential comment deleted.	See No 307
314.	German	3.44.	See comment to Para 3.89.	

	Insurance Association – Gesamtverband der D			
315.	Groupe Consultatif	3.44.	Normally servicing expenses would not include any acquisition element. “When calculating technical provisions, all future expenses that will be incurred in servicing insurance and reinsurance obligations should be taken into account.”	Agreed See revised text
316.	Institut des actuaires (France)	3.44.	“When calculating technical provisions, all future expenses that will be incurred in servicing insurance and reinsurance obligations should be taken into account.”	Noted
317.	Lloyd’s	3.44.	We agree that not all expenses would be required in the technical provisions. For example, as quoted in para 3.43, “expenses connected with the development of new products” should not be.	Noted
318.	Lucida plc	3.44.	We note that it is necessary to allow for investment management expenses without including investment returns in the calculation of future cashflows. Many calculation methods allow for investment expenses by reducing the discount rate assumed by the projected investment expenses. This approach, combined with using the relevant risk-free rate, would lead to different firms using different discount rates for the same liabilities based on their individual investment expenses. We firmly believe that from an economic point of view it would be inappropriate to incorporate the expense without the matching income. If the valuation relates to the liabilities then in our view no account should be taken of the investment expenses which relate to the assets (unless a liquidity premium is recognised). This also applies to 3.89	See No 307
319.	Munich RE	3.44.	See comment 3.89.	

320.	OAC Actuaries and Consultants	3.44.	For unit-linked business it is particularly important that the expenses allocated are tested against the expense loadings emerging from the contract.	Noted
321.	ROAM	3.44.	Since no new business is taken into account, acquisition commissions should be limited to future premiums linked to existing contracts. If not, this would not be consistent with paragraph 3.97.	See No 298
322.	Association of Friendly Societies	3.45.	We would suggest that the directly attributable expenses should be seen as the marginal costs of keeping the business on the books.	Noted
323.	Federation of European Accountants (FEE)	3.45.	The Paper requires that overhead costs are to be considered as cash flows in the best estimate. It is not clear how overhead costs fit in the definition of a current exit value. A third party acquirer would not normally expect a compensation for overhead costs but require some additional profit which would not be part of the best estimate. In general, pricing is based on opportunity cost. Overhead costs and the entire required margin might vary significantly from entity to entity and the costs of the entity itself might not be relevant since the acquiring insurer may have a different cost base. The difference in overhead costs from entity to entity is not caused by the characteristics of the insurance contracts but merely historically or organisationally reasoned. That difference is consequently not relevant for a current exit value. The split of overhead costs could significantly impact the total amount of best estimate since allocating most of the costs to short duration contracts would reduce the expected costs of future overheads significantly, while allocating the costs to long duration business would build in more years of future overheads thereby increasing the best estimate. Therefore that split can be very sensitive. For financial reporting purposes this issue will be covered by the additional margin.	Not agreed Technical provisions are not calculated as “current exit value”.

			This comment also applies to paragraph 3.90.	
324.	Investment & Life Assurance Group (ILAG)	3.45.	We would suggest that the directly attributable expenses should be seen as the marginal costs of keeping the business on the books.	See No 322
325.	KPMG ELLP	3.45.	(a) The CP requires that overhead costs are to be considered as cash flows in the best estimate, including expenses connected with the development of new products. There are significant doubts that these costs are of that type “that would be incurred in meeting liabilities to policyholders from existing insurance and reinsurance contracts”. They are typical general expenses of the overall business. Spending those or not would not affect meeting the liabilities. Further, it is not clear how overhead costs fit in the definition of a current exit value. A third party acquirer would not normally expect a compensation for overhead cost but require some additional profit (e.g. service margin) which would not be part of the best estimate. In general, pricing is based on opportunity cost. In particular, overhead costs and the required (profit or service) margin might vary significantly from entity to entity and that actually incurred by the current (re)insurance undertaking might not be relevant. (b) The split of overhead cost could significantly influence the total amount of best estimate since allocating the larger part to short duration contracts would reduce the anticipated burden heavily, while associating it with long duration business would require to anticipate it for possibly decades. Therefore that split can be very sensitive. For financial reporting purposes this issue will be covered by the additional margin.	Not agreed Expenses connected with the development of new business should not be included in technical provisions Not agreed Technical provisions are not calculated as current exit value Noted
326.	OAC Actuaries and	3.45.	We would suggest that the directly attributable expenses should be seen as the marginal costs of keeping the business on the books.	See No 322

	Consultants			
327.	KPMG ELLP	3.46.	We agree that the allocation of expenses between claims and premium provisions should be subject to expert judgement. It should not be completely prescriptive. It is also important that splits should not be changed arbitrarily.	Noted
328.	Lloyd's	3.46.	We agree that the allocation of expenses between claims and premium provisions should be subject to expert judgement. It should not be completely prescriptive. It is also important that splits should not be changed arbitrarily.	See No 327
329.	Lucida plc	3.46.	This paragraph appears to only be relevant to non-life insurance, but – in contrast to 3.47 – doesn't state this	Agreed See revised text
330.	Milliman	3.46.	We agree that the allocation of expenses between claims and premium provisions should be subject to expert judgement where appropriate.	See No 327
331.	Dutch Actuarial Society – Actuarieel Genootschap (	3.47.	We support the comment of GC that in specific situations the split between premium and claims provisions should not be required (substance over form).	See No 332
332.	European Union member firms of Deloitte Touche To	3.47.	We agree that in the valuation process the split between premium provisions and claims provisions for non-life insurance is in most cases best practice. However, in some specific circumstances, it might be more applicable to follow the Life methodology and evaluate Premium and Claims provisions together (e.g. for some specific long term disability products). In these cases it should not be obligatory to evaluate Premium and Claims provisions separately. We suggest referring to the 'substance over form' element as also mentioned in paragraph 3.3.2.	Agree See revised text

333.	Groupe Consultatif	3.47.	We agree that in the valuation process the split between premium provisions and claims provisions for non-life insurance is in most cases common practice (valuation on accident year basis). However, in some specific circumstances, it might be more applicable to follow the Life methodology and valuate Premium and Claims provisions together (e.g. for some specific long term disability products). In these cases it should not be obligatory to valuate Premium en Claims provisions separately. We would suggest referring to the 'substance over form' element as also mentioned in paragraph 3.3.2.	See No 332
			Can a company still use an underwriting year approach as in such approach a split would not be possible?	Noted
334.	KPMG ELLP	3.47.	We agree that the allocation of expenses between claims and premium provisions should be subject to expert judgement. It should not be completely prescriptive.	See No 327
335.	Lloyd's	3.47.	We agree that the allocation of expenses between claims and premium provisions should be subject to expert judgement. It should not be completely prescriptive.	See No 327
336.	Milliman	3.47.	We agree that the allocation of expenses between claims and premium provisions should be subject to expert judgement where appropriate.	See No 327
337.	European Insurance CFO Forum	3.48.	CEIOPS should clarify the difference between "claims management" and "claims administration" expenses. These two expenses may carry the same meaning in practice. Further explanation of the difference would be useful.	Agreed See revised text
338.	Lloyd's	3.48.	These are good examples but it is important they are not taken as prescriptive.	Noted
339.	Groupe	3.49.	It should be clarified that claims provisions also include claims	Not agreed

	Consultatif		incurred but not reported (IBNR).	This paragraph regards allocation of expenses
340.	Lloyd’s	3.49.	These are good examples but it is important they are not taken as prescriptive.	See No 338
341.	Lloyd’s	3.50.	Market data on expenses is unlikely to be suitable in most cases.	Noted
342.	Lucida plc	3.50.	We recognise that future cost increases should be allowed for. If investment management expenses are based on the size of the investment fund, and investment returns should not be considered, it would be useful for an indication to be given of how best to allow for future investment management expenses. However, see comments on 3.44 This comment also applies to 3.98	Not agreed How to best allow for future investment management expenses is not part of this CP.
343.	ACA – ASSOCIATION DES COMPAGNIES D’ASSURANCES DU	3.51.	Experience shows that at least in the health business the period to establish a portfolio and benefit from the economies of scale lasts longer than five years. In QIS4 for example simplification was allowed for the first seven years, which was still not enough. By all means the projection of expenses should be in line with the projection of the portfolio and therefore allow for a prudent digression of expense rates if this seems to be reasonable.	Not agreed Seven years in simplification was not connected with first five years after liencing.
344.	Association of Friendly Societies	3.51.	We disagree with this paragraph. The expense allowances to make in the valuation should be based on both the business plan and the expense analysis. The business plan is fundamental to make sure the expense allowances are sufficient. Cost savings due to the growth of the business should be allowed for as well as inefficiencies due to lower sales or the run off of a closed fund. We would suggest that CEIOPS should change this paragraph to state that the expense allowances should be tested against the expenses produced by the “credible business plan” of the organisation. In most territories, auditors will be charged with checking the work carried out here. The paragraph does not agree with paragraph A.2	Not agreed Business plan is not the only one which should be used for determining assumptions about expected cost reduction which should be realistic, objective and verifiable.

			in the annex in its current form. The text should also allow for bulk provisions to be made for short term expense overruns and also for expenses required in run off for closed books for non-attributable expenses that are not dependent on the size of the portfolio.	
345.			Confidential comment deleted.	
346.	CEA, ECO-SLV-09-433	3.51.	See comment to Para 3.102.	
347.	CRO Forum	3.51.	We agree with this principle but it should be applied both for increasing and for reducing costs. The best estimate is not supposed to have a safety margin. Thus, if the insurance undertaking can conclusively prove the cost reductions are possible, they should be considered in the best estimate, according to the treatment of future management actions.	Not agreed Reduction of the cost is subject to the first five years after licensing.
348.	Danish Insurance Association	3.51.	In this article the directive text is violated. If assumptions concerning future cost reductions which have not materialised are not allowed for, one is not calculating the best approximation of the true best estimate. This runs contrary to the directive article 76(2)	Not agreed The cash-flow projection used in the calculation of the best estimate shall take account of all the cash in- and out-flows required to settle (re)insurance obligations over the life time thereof.
349.	Dutch Actuarial Society – Actuarieel Genootschap (	3.51.	The inclusion of cost reductions in future cashflows should be seperatly judged by an independent expert.	Agreed All valuation process including determination of assumptions should be verified by independent expert
350.	European Insurance CFO	3.51.	Expenses assumptions should reflect cost reductions if they are anticipated.	Not agreed

	Forum		The best estimate assumption should not include a margin for prudence. Therefore, if an undertaking can validate that cost reductions are anticipated, these should be reflected in the best estimate assumption. Comments in 3.1 are also relevant here.	Anticipated cost reduction could be part of management actions and taken into in technical provisions under management actions
351.	European Union member firms of Deloitte Touche To	3.51.	We agree that the assumptions about the expected cost reduction should be realistic, objective and backed with adequate arguments and documents. In our view, in order to be consistent with the principles based approach, the paragraph should not mention an explicit time limit	Noted Not agreed Time limit is for new licensed undertakings
352.	Federation of European Accountants (FEE)	3.51.	Under the current exit value approach, it is questionable why newly established insurers should apply their own cost assumptions at all. The relevant costs should be those expected to be incurred by an acquiring insurer.	Not agreed Best estimate is not "current exit value"
353.	FFSA	3.51.	FFSA believes that anticipated expected cost reduction resulting or not of licensing (e.g. cost reduction plan after an acquisition) should be taken into account in best estimate technical provisions calculations as long as they have been formally agreed by the Management. Hence, any expected cost reduction within the next 5 years should be taken into account until the end of the projection	Not agreed Cost reduction agreed by management may not be realistic and objective.
354.			Confidential comment deleted.	
355.	German Insurance Association – Gesamtverband der D	3.51.	See comment to Para 3.102.	

356.	Groupe Consultatif	3.51.	This paragraph is unnecessarily restrictive. There are other situations in which a commitment by management to reduce expenses may be plausible – for example following a change of control or if the level of expense is high relative to industry norms. What is important is that any such commitment be formalised as for any other future management action. We do not think that the first part and the last part of this paragraph are consistent. We agree that the assumptions about the expected cost reduction should be realistic, objective and backed with adequate arguments and documents. We don't think that only newly established insurance or reinsurance undertakings should be allowed to anticipate on expected cost reductions. In the contrary we could imagine to take extra care for newly established undertakings before implementing expected future cost reductions. To our view in the valuation of provisions including expenses the actuarial function should valuate on a best estimate level, also if this means that expense reductions should be included. However, specifically expense reductions and other positive and potential optimistic future assumptions should obviously also be realistic, objective and verifiable. Thus these should be well argued, documented and later on back tested. Uncertainty should be included in the risk margin. We disagree with this paragraph. The expense allowances to make in the valuation should be based on both the business plan and the expense analysis. The business plan is fundamental to make sure the expense allowances are sufficient. Cost savings due to the growth of the business should be allowed for as well as inefficiencies due to lower sales or the run off of a closed fund. We would suggest that CEIOPS should change this paragraph to state	See 350 Noted Not agreed Only for new licensed undertakings disproportional between expenses and volume of business could be tolerated. Noted See No 344

			that the expense allowances should be tested against the expenses produced by the "credible business plan" of the organisation. In most territories, auditors will be charged with checking the work carried out here. The paragraph does not agree with paragraph A.2 in the annex in its current form. The text should also allow for bulk provisions to be made for short term expense overruns and also for expenses required in run off for closed books for non-attributable expenses that are not dependent on the size of the portfolio.	
357.	Investment & Life Assurance Group (ILAG)	3.51.	We disagree with this paragraph. The expense allowances to make in the valuation should be based on both the business plan and the expense analysis. The business plan is fundamental to make sure the expense allowances are sufficient. Cost savings due to the growth of the business should be allowed for as well as inefficiencies due to lower sales or the run off of a closed fund. We would suggest that CEIOPS should change this paragraph to state that the expense allowances should be tested against the expenses produced by the "credible business plan" of the organisation. In most territories, auditors will be charged with checking the work carried out here. The paragraph does not agree with paragraph A.2 in the annex in its current form. The text should also allow for bulk provisions to be made for short term expense overruns and also for expenses required in run off for closed books for non-attributable expenses that are not dependent on the size of the portfolio.	See No 344
358.	Ireland's Solvency 2 Group, excluding representa	3.51.	We welcome the recognition that it is appropriate that newly established companies should be allowed to take credit for future expected cost reductions. However, we feel that this allowance is too narrowly-drawn – it should not be restricted solely to new company start-ups but should also cover circumstances where companies are going through major changes e.g. acquiring another insurer, expanding into new markets, starting new lines of business, taking on portfolios of business from other insurers etc. In these cases,	Not agreed Only for new licensed undertakings disproportional between expenses and volume of business could be tolerated.

			companies may incur higher expenses in the short term but these higher expense levels would not typically be expected to persist. We agree that the allowance for expected cost reductions should be realistic and objective but we are unclear as to how they can, ex ante, be verifiable. In summary, we are of the view that the assumptions for expenses should be made on a best estimate basis. In particular circumstances, such as those mentioned above, the best estimate assumption may well be that the expenses will reduce in the future. The same data standards and standards for future management actions should be applied in the determination of the expense assumption as for other assumptions – we do not agree that the derivation of the expense assumption should be subject to any additional restrictions over and above those applied to the derivation of other assumptions.	Agreed See revised text Not agreed Future management actions could be taken into account under management actions
359.	KPMG ELLP	3.51.	We disagree that cost reduction should only be allowed for new established entities. We recommend that this paragraph should emphasise cost reductions should only be allowed if the undertaking has specific reasons to expect them, for example being newly set up.	See No 356
360.	Lloyd's	3.51.	We disagree that cost reduction should only be allowed for new established entities. We recommend that this paragraph emphasises that cost reductions should only be allowed if the undertaking has specific reasons to expect them, for example being	See No 359

			newly set up.	
361.	Lucida plc	3.51.	We welcome the allowance for newly established undertakings to anticipate expected cost reductions. Although we recognise that the assumptions should be realistic and objective, it is not clear how they can be verifiable at the time that they are anticipated. This comment also applies to 3.102	Agreed See revised text
362.	Munich RE	3.51.	The best estimate is not supposed to have a safety margin. Thus, if the insurance undertaking can conclusively prove the cost reductions are possible, they should be considered in the best estimate, according to the treatment of future management actions. Cf. Comment on 3.102	Not agreed Future management actions could be taken into account under management actions
363.	OAC Actuaries and Consultants	3.51.	We do not agree with the arbitrary imposition of a five year limit. The expense allowances to make in the valuation should be based on both the business plan and the expense analysis. The business plan is fundamental to make sure the expense allowances are sufficient. Cost savings due to the growth of the business should be allowed for as well as inefficiencies due to lower sales or the run off of a closed fund. We would suggest that CEIOPS should change this paragraph to state that the expense allowances should be tested against the expenses produced by the "credible business plan" of the organisation. In most territories, auditors will be charged with checking the work carried out here. The paragraph does not agree with paragraph A.2 in the annex in its current form. The text should also allow for bulk provisions to be made for short term expense overruns and also for expenses required in run off for closed books for non-attributable expenses that are not dependent on the size of the portfolio.	See No 344

364.	Pricewaterhou seCoopers LLP	3.51.	Expense assumption – Future cost reductions We note our comments under 3.55 in relation to this paragraph. We welcome the statement: "assumptions about expenses should not allow for future cost reductions where these have not been yet been realised" as it clarifies a potentially significant area of judgement.	Noted
			The only exception to this statement relates to newly established entities where for the first 5 years after licensing expected cost reductions may be anticipated provided they are realistic, objective and verifiable. Given this, we question why existing entities are not allowed to make an allowance for a reduction in future expenses. If existing entities can demonstrate that their assumptions are realistic, objective and verifiable then should this be permissible? We also question the selected period of 5 years and whether there is any evidence to support the assumption. In addition, it would be helpful to have further guidance on what would constitute appropriate evidence to support anticipating cost reductions, as this will be a particularly judgemental assumption. Assuming the Level 2 text remains unchanged, we also question whether there should be an allowance for the expected short term expense overruns for newly established entities in the Solvency II regime. For example, the capital requirements could capture the risk that the long term expense level is not achieved in the first 5 years. However, this could potential cycle back into the technical provisions due to the cost of capital method used to determine the risk margin. This comment also refers to 3.102.	Only for new licensed undertakings disproportional between expenses and volume of business could be tolerated.
365.	Pricewaterhou seCoopers LLP	3.51.	Expense assumption – Future cost reductions We note our comments under 3.55 in relation to this paragraph.	See No 346

			We welcome the statement: "assumptions about expenses should not allow for future cost reductions where these have not been yet been realised" as it clarifies a potentially significant area of judgement. The only exception to this statement relates to newly established entities where for the first 5 years after licensing expected cost reductions may be anticipated provided they are realistic, objective and verifiable. Given this, we question why existing entities are not allowed to make an allowance for a reduction in future expenses. If existing entities can demonstrate that their assumptions are realistic, objective and verifiable then should this be permissible? We also question the selected period of 5 years and whether there is any evidence to support the assumption. In addition, it would be helpful to have further guidance on what would constitute appropriate evidence to support anticipating cost reductions, as this will be a particularly judgemental assumption. Assuming the Level 2 text remains unchanged, we also question whether there should be an allowance for the expected short term expense overruns for newly established entities in the Solvency II regime. For example, the capital requirements could capture the risk that the long term expense level is not achieved in the first 5 years. However, this could potential cycle back into the technical provisions due to the cost of capital method used to determine the risk margin. This comment also refers to 3.102.	
366.	RBS Insurance	3.51.	Whilst we accept that expense savings should not be allowed for unless they will happen in practice, we believe that there are circumstances where it is appropriate to allow for future cost reduction before they have been realised, to the extent that they are realistic, objective and verifiable (for example a documented and signed-off expense saving strategy that is underway).	Agreed See revised text

			Suggest amended wording "Allowance for future cost reductions should be realistic, objective and verifiable, including suitable historical track record for delivery"	
367.	ROAM	3.51.	ROAM believes that anticipated expected cost reduction resulting or not of licensing should be taken into account in best estimate technical provisions calculations as long as they have been formally agreed by the Management. Hence, any expected cost reduction within the next 5 years should be taken into account until the end of the projection	See No 353
368.	Groupe Consultatif	3.52.	There are significant problems with the concept of setting expenses to the level of a potential "buyer". Potential "buyers" have different conditions and different strategies in terms of level of service. We would recommend flexibility that allowed expenses assumptions to be set with regard to both own expenses and expenses in the market place (for a potential buyer and/or outsourced) – probably an expense assumption that starts at an own expense level and in the longer term ends at a level consistent with anticipates market levels.	Noted
369.	Pricewaterhou seCoopers LLP	3.52.	See comments under 3.55	
370.	Pricewaterhou seCoopers LLP	3.52.	See comments under 3.55	
371.	SOGECORE	3.52.	This point is in contradiction with 3.40 where investments returns are excluded from the calculation if we consider that it would be one of the main hypothesis for a run-off company to set up a pricing for a transfer of obligations from another insurance/reinsurance undertaking	Not agreed The time value of probability-weighted average of future cash-flows is taken into account using the relevant risk-free interest term structure.
372.	Association of	3.53.	We disagree with the allowance for overheads being a straight	Agreed

	Friendly Societies		increase in the expense allowances for attributable expenses. It is, in our view, perfectly acceptable that the attributable expenses are per policy or per claim whereas the overhead allowances are covered by percentage of funds under management or percentage of premiums.	See revised text
373.	Association of Run-Off Companies	3.53.	This paragraph and the subsequent three paragraphs (3.54, 3.55 and 3.56) may be confusing for a company that is already in run-off. Presumably CEIOPS would require such companies to include an amount in their technical provisions for expenses until expiry (i.e. to cover the expenses related to payment of all future claims) in relation to the relevant portfolio. If so, it would be helpful to add a statement to this effect.	Agreed See revised text
374.	Danish Insurance Association	3.53.	It must be clarified whether there is a difference between the concept of a policy and an insurance contract. (see also 3.58)	Agreed See revised text
375.	European Union member firms of Deloitte Touche To	3.53.	We note the difficulty in aligning with accounting principles that do not yet exist consistently across Europe.	Noted
376.	Groupe Consultatif	3.53.	It is not the portfolio itself that is transferred: only obligations linked to the portfolio of contracts are transferred. We note the difficulty in aligning with accounting principles that do not yet exist consistently across Europe. We disagree with the allowance for overheads being a straight increase in the expense allowances for attributable expenses. It is, in our view, perfectly acceptable that the attributable expenses are per policy or per claim whereas the overhead allowances are	Agreed See revised text See No 375 See No 372

			covered by percentage of funds under management or percentage of premiums.	
377.	Institut des actuaires (France)	3.53.	It is not the portfolio itself that is transferred: only obligations linked to the portfolio of contracts are transferred.	See No 376
378.	Investment & Life Assurance Group (ILAG)	3.53.	We disagree with the allowance for overheads being a straight increase in the expense allowances for attributable expenses. It is, in our view, perfectly acceptable that the attributable expenses are per policy or per claim whereas the overhead allowances are covered by percentage of funds under management or percentage of premiums.	See No 372
379.	Lucida plc	3.53.	We agree that direct and indirect expenses should be allowed for, and one way of doing this would be to scale up the direct expenses using some sort of allocation. However we should point out that this may be inconsistent with International Accounting Standards which may only permit the inclusion of direct costs. However, since a sufficient provision is being held to transfer the portfolio to another undertaking, it would be unnecessarily onerous to require firms to capitalise all its overheads for the entire duration of liabilities. Instead firms that are open to new business could be required to provide for at least the expenses of writing another year's new business followed by closure to new business.	Not agreed In accordance with Article 77(1) all expenses that will be incurred in servicing (re)insurance obligations shall be taken into account

			In addition, the approach suggested for increasing the direct expenses with a share of the overhead expenses appears to contradict the requirement to allow for future changes due to demographic, legal, medical, technological, social or economic developments. It is not clear that it will be appropriate to always use the previous years' business mix as the sole measure for spreading the overhead expenses and it would be preferable for expert judgement to be allowed to have some input into this. We note that comments 3.91 and 3.92 are more appropriate. Alternatively a separate "overhead expense" reserve could be required, which would be more transparent and which could include the costs of closure if applicable.	Agreed See revised text
380.	OAC Actuaries and Consultants	3.53.	We disagree with the allowance for overheads being a straight increase in the expense allowances for attributable expenses. It is, in our view, perfectly acceptable that the attributable expenses are per policy or per claim whereas the overhead allowances may be expressed as a percentage of funds under management, or percentage of premiums, or other appropriate measure.	See No 372
381.	Pricewaterhou seCoopers LLP	3.53.	Expense assumptions - Allocation of overheads We note our comments under 3.55 in relation to this paragraph. In determining the allocation of overhead expenses, there is reference to "the undertaking continuing to write new business in the same amount as previous year unless a decision has been made to cease writing further new business." We query whether assuming the same level of new business is correct in an economic valuation framework, for example, there may be one-off non-recurring factors in the previous years' new business volumes. We also question whether instead formally approved (objective and verifiable) internal business plans should be permitted in the allocation of overheads. This is particularly the case where these plans form part of the ORSA.	Agreed See revised text

382.	PricewaterhouseCoopers LLP	3.53.	Expense assumptions - Allocation of overheads We note our comments under 3.55 in relation to this paragraph. In determining the allocation of overhead expenses, there is reference to "the undertaking continuing to write new business in the same amount as previous year unless a decision has been made to cease writing further new business." We query whether assuming the same level of new business is correct in an economic valuation framework, for example, there may be one-off non-recurring factors in the previous years' new business volumes. We also question whether instead formally approved (objective and verifiable) internal business plans should be permitted in the allocation of overheads. This is particularly the case where these plans form part of the ORSA.	See No 381
383.	International Underwriting Association of London	3.54.	It has been suggested that the approach used for treating future expenses as a going concern, or in run-off, should depend on whether the company is expected to shortly enter, or has entered run-off.	Noted
384.	PricewaterhouseCoopers LLP	3.54.	See comments under 3.55	
385.	PricewaterhouseCoopers LLP	3.54.	See comments under 3.55	
386.	AAS BALTA	3.55.	We agree with the advice that the going concern basis is preferable for valuing technical provisions. Any additional costs associated with the entry into run off should be dealt with in the SCR.	Noted
387.	AB Lietuvos draudimas	3.55.	We agree with the advice that the going concern basis is preferable for valuing technical provisions. Any additional costs associated with the entry into run off should be dealt with in the SCR.	See No 386
388.	DENMARK Codan	3.55.	We agree with the advice that the going concern basis is preferable for valuing technical provisions. Any additional costs associated	See No 386

	Forsikring A/S (10529638)		with the entry into run off should be dealt with in the SCR.	
389.	European Insurance CFO Forum	3.55.	The CFO Forum agrees that a going concern basis is most appropriate. Comments in 3.100 are also relevant here.	Noted
390.	Groupe Consultatif	3.55.	We agree with the view expressed by CEIOPS here. We would note that in practice managements tend to take effective action to narrow the theoretical difference between 'going concern' and 'run-off' expenses.	Noted
391.	KPMG ELLP	3.55.	We believe that not only is an on-going basis more consistent with a transfer principle but, also, more consistent with other elements of Solvency II and the SCR, in particular.	Noted
392.	Link4 Towarzystwo Ubezpieczeń SA	3.55.	We agree with the advice that the going concern basis is preferable for valuing technical provisions. Any additional costs associated with the entry into run off should be dealt with in the SCR.	See No 386
393.	Lloyd's	3.55.	We believe that not only is an on-going basis more consistent with a transfer principle but, also, more consistent with other elements of Solvency II and the SCR, in particular.	See No 391
394.	Lucida plc	3.55.	Little support is provided for the decision to rule out the option of valuing the portfolio on run-off assumptions and we propose that a hybrid of the two be considered in which new business is only assumed to be written for a limited period of time. This comment also applies to 3.101	Noted
395.	NORWAY: Codan Forsikring (Branch Norway) (991	3.55.	We agree with the advice that the going concern basis is preferable for valuing technical provisions. Any additional costs associated with the entry into run off should be dealt with in the SCR.	See No 386

	502			
396.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.55.	We agree with the advice that the going concern basis is preferable for valuing technical provisions. Any additional costs associated with the entry into run off should be dealt with in the SCR.	See No 386
397.	Pricewaterhou seCoopers LLP	3.55.	Expense assumptions – "Going concern" versus "Run-off" basis The relevant aspects of the Level 1 text are: ☐ Article 75 (2): "The value of technical provisions shall correspond to the current amount … undertakings would have to pay if they were to transfer their … obligations immediately to another … undertaking." ☐ Article 76(2): "… The cash-flow projection used in the calculation of the best estimate shall take account of all the cash in- and out- flows required to settle the … obligations over the lifetime thereof." ☐ Article 76(3): "The risk margin shall be such as to ensure that the value of technical provisions is equivalent to the amount … undertakings would be expected to required in order to take over and meet the … obligations" ☐ Article 77(1): "… technical provisions … shall take account of … all expenses that will be incurred in servicing … obligations." Given the relevant Level 1 text, we concur with the CEIOPS conclusion that the expense assumptions should be determined on a "going concern" basis unless the risk of closure is imminent. The risk that the expense assumptions could be higher on a "run-off" basis could be captured in the SCR to avoid undue strain on closure to new business. However, this could potential cycle back into the technical provisions due to the cost of capital method used to	Noted

			determine the risk margin. Further, the point at which "run-off" is assumed from would need to be specified, for example, 1 year from the point of valuation. We caution that the application of the "going concern" principle applies to concepts other than expense assumptions (e.g. provisions, tax, future premiums etc.) and that it should be applied consistently in the framework. This comment also refers to 3.52-4, 3.56 and 3.99-101.	
398.	Pricewaterhou seCoopers LLP	3.55.	Expense assumptions – "Going concern" versus "Run-off" basis The relevant aspects of the Level 1 text are: ☐ Article 75 (2): "The value of technical provisions shall correspond to the current amount … undertakings would have to pay if they were to transfer their … obligations immediately to another … undertaking." ☐ Article 76(2): "… The cash-flow projection used in the calculation of the best estimate shall take account of all the cash in- and out- flows required to settle the … obligations over the lifetime thereof." ☐ Article 76(3): "The risk margin shall be such as to ensure that the value of technical provisions is equivalent to the amount … undertakings would be expected to required in order to take over and meet the … obligations" ☐ Article 77(1): "… technical provisions … shall take account of … all expenses that will be incurred in servicing … obligations." Given the relevant Level 1 text, we concur with the CEIOPS conclusion that the expense assumptions should be determined on a "going concern" basis unless the risk of closure is imminent. The risk that the expense assumptions could be higher on a "run-off" basis could be captured in the SCR to avoid undue strain on closure to new business. However, this could potential cycle back into the technical provisions due to the cost of capital method used to	See No 397

			determine the risk margin. Further, the point at which "run-off" is assumed from would need to be specified, for example, 1 year from the point of valuation. We caution that the application of the "going concern" principle applies to concepts other than expense assumptions (e.g. provisions, tax, future premiums etc.) and that it should be applied consistently in the framework. This comment also refers to 3.52-4, 3.56 and 3.99-101.	
399.	RBS Insurance	3.55.	Agree.	Noted
400.	RSA Insurance Group PLC	3.55.	We agree with the advice that the going concern basis is preferable for valuing technical provisions. Any additional costs associated with the entry into run off should be dealt with in the SCR.	See No 386
401.	RSA Insurance Ireland Ltd	3.55.	We agree with the advice that the going concern basis is preferable for valuing technical provisions. Any additional costs associated with the entry into run off should be dealt with in the SCR.	See No 386
402.	RSA - Sun Insurance Office Ltd.	3.55.	We agree with the advice that the going concern basis is preferable for valuing technical provisions. Any additional costs associated with the entry into run off should be dealt with in the SCR.	See No 386
403.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.55.	We agree with the advice that the going concern basis is preferable for valuing technical provisions. Any additional costs associated with the entry into run off should be dealt with in the SCR.	See No 386
404.	CEA, ECO-SLV-09-433	3.56.	Obviously this statement does not apply if a company is actually in run-off. If the entity is in run-off, assumptions according to these circumstances should be used. Therefore Ceiops cannot consider that using run-off principles is always non-economic.	Agreed See revised text

405.	International Underwriting Association of London	3.56.	Whilst the option based on the run-off assumption might not be an economic valuation for an entity which is a going concern, for a company that is in run-off, it could well be an economic valuation.	See No 404
406.	KPMG ELLP	3.56.	We agree, but note that under certain circumstances a run-ff basis is more appropriate – for example if the entity is, or is expecting to become, in run-off.	Noted
407.	Lloyd’s	3.56.	We agree, but note that under certain circumstances a run-off basis is more appropriate – for example if the entity is, or is expecting to be, in run-off.	See No 406
408.	Pricewaterhou seCoopers LLP	3.56.	See comments under 3.55	
409.	Pricewaterhou seCoopers LLP	3.56.	See comments under 3.55	
410.	CEA, ECO-SLV-09-433	3.57.	See comments to Para 3.104	
411.	German Insurance Association – Gesamtverban d der D	3.57.	See comments to Para 3.104	
412.	Groupe Consultatif	3.57.	Premium tax should not be a part of the cash flow model, because the internal controlling of an insurance observes the premiums net of premium tax.	Noted
413.	KPMG ELLP	3.57.	The taxation payments could be due to investment returns which are not included in the technical provisions inflows.	Noted
414.	CEA,	3.58.	See comments to Para 3.104.	

	ECO-SLV-09-433			
415.	Danish Insurance Association	3.58.	It must be clarified whether there is a difference between the concept of a policy and an insurance contract. (see also 3.53)	Agreed See revised text
416.	DIMA (Dublin International Insurance & Management	3.58.	This implies alignment with the VAT issue in discussion in the ECJ regarding cross-border technical provisions.	Noted
417.	German Insurance Association – Gesamtverband der D	3.58.	See comments to Para 3.104.	
418.	Groupe Consultatif	3.58.	Premium tax should not be a part of the cash flow model, because the internal controlling of an insurance observes the premiums net of premium tax.	See No 412
419.	XL Capital Ltd	3.58.	“The assessment of the expected cash-flows underlying the technical provisions should allow for any taxation payments which are charged to policyholders” As a point of clarification, we would like to ensure that this statement does not force separate recognition of taxation payments by different Member States. Most taxation payments will be analyzed and provided for in within Loss and Loss adjustment expenses provisions.	Not agreed Separate recognition will be required for different taxation payments by different MS
420.	Association of Friendly Societies	3.59.	The UK charges tax on the investment returns in basic life assurance business and gives relief on expenses against investment return. We would suggest that the tax cashflows should allow for tax chargeable in the fund and allow reliefs against the tax that is	Noted

			expected to be paid. Tax allowances are quite complex especially for fast growing or declining companies and we suggest that the allowances in the valuation should accord with the credible business plan of the undertaking.	
421.	Groupe Consultatif	3.59.	The UK charges tax on the investment returns in basic life assurance business and gives relief on expenses against investment return. We would suggest that the tax cashflows should allow for tax chargeable in the fund and allow reliefs against the tax that is expected to be paid. Tax allowances are quite complex especially for fast growing or declining companies and we suggest that the allowances in the valuation should accord with the credible business plan of the undertaking.	See No 420
422.	Investment & Life Assurance Group (ILAG)	3.59.	The UK charges tax on the investment returns in basic life assurance business and gives relief on expenses against investment return. We would suggest that the tax cash-flows should allow for tax chargeable in the fund and allow reliefs against the tax that is expected to be paid. Tax allowances are quite complex especially for fast growing or declining companies and we suggest that the allowances in the valuation should accord with the credible business plan of the undertaking.	See No 420
423.	OAC Actuaries and Consultants	3.59.	The UK charges tax on the investment returns in basic life assurance business and gives relief on expenses against investment return. We would suggest that the tax cashflows should allow for tax chargeable in the fund and allow reliefs against the tax that is expected to be paid. Tax allowances are quite complex especially for fast growing or declining companies and we suggest that the allowances in the valuation should accord with the credible business plan of the undertaking.	See No 420
424.	ACA – ASSOCIATION DES	3.60.	If an undertaking subscribes recently in a new branch and therefore has no available statistics, it should be allowed to take into account market statistics (which take probably implicitly part of the pricing	Noted

	COMPAGNIES D'ASSURANCES DU		of that new branch).	
425.	CEA, ECO-SLV-09-433	3.60.	The wording related to surplus funds should be amended to make sure the requirements are clear. This paragraph which states that surplus funds that fall under Article 90(2) of the Level 1 text "should be excluded" seems to contradict Paragraph 3.61 which states that these "should be taken into account". ☐ We request that the wording "should be taken into account" is amended so that it is clear that surplus funds do not form part of the technical provisions.	Agreed See revised text Agreed See revised text
426.	European Insurance CFO Forum	3.60.	Here, surplus funds under Article 90(2) of the level 1 text "should be excluded". This contradicts 3.61 which suggest they "should be taken into account". Further clarity of the treatment is required.	See No 425
427.	German Insurance Association – Gesamtverband der D	3.60.	See comment to Para 3.60	
428.	Milliman	3.60.	Surplus funds are excluded in calculating the best estimate but "taken into account… when valuing potential future cash-flow" (from 3.61). It is unclear how both of these statements can be correct.	See No 425
429.	Munich RE	3.60.	With regard to the treatment of surplus funds that fall under Article 90(2) of the Level 1 text, section 3.60 ("should be excluded") seems to contradict section 3.61 ("should be taken into account").	See No 425
430.	CEA,	3.61.	"expect payments that fall under Article 90(2)" should be changed	Agreed

	ECO-SLV-09-433		to "except payments that fall under Article 90(2)". See also comment to Para 3.60.	See revised text
431.	European Insurance CFO Forum	3.61.	Comments in 3.60 are also relevant here.	
432.	Groupe Consultatif	3.61.	(Correction) "Future discretionary bonuses, which undertaking expect to make, whether or not those payments are contractually guaranteed, and except payments that fall under Article 90(2) of the Level 1 text (i.e. surplus funds) should be taken into account. Furthermore, future management actions may be reflected in the projected cash-flows."	See No 430
433.	KPMG ELLP	3.61.	Typo: which the undertaking; the bonuses might depend on the investment return	Agreed See revised text
434.	Lucida plc	3.61.	We welcome the acknowledgement that future management actions may be reflected in the projected cashflows.	Noted
435.	Milliman	3.61.	See 3.60	
436.	Munich RE	3.61.	See comment 3.60.	
437.	Association of Friendly Societies	3.62.	We believe that CEIOPS is making too much of a potential split in methodology for non-life insurance and life insurance.	Noted
438.	CEA, ECO-SLV-09-433	3.62.	A split between life and non life might not be meaningful in practice. For example, if a single contract offers both life and non life guarantees and if the commission paid to intermediaries is based on the results generated by the whole contract, it would not be possible to calculate separately a Net Present Value (NPV) of commissions linked to Life guarantees and a NPV of commissions linked to Non Life guarantees.	Not agreed The contract covering life and non-life obligations should be unbundled.

			☐ We request that this paragraph is deleted.	
439.	CRO Forum	3.62.	Generally speaking we agree with this principle, nevertheless we note that the split between life and non life might not be always meaningful in practice. E.g. a single contract offers both life and non life covers and if the commission paid to intermediaries is based on the results generated by the whole contract, it would not be possible to calculate separately a Net Present Value (NPV) of commissions linked to Life and Non Life guarantees.	See No 438
440.	Federation of European Accountants (FEE)	3.62.	We believe that portfolios of significantly different risks should be valued separately. We are not sure whether the Paper is proposing that there should be a conceptual difference between measuring contracts involving biometric risks and those involving other insurance risks. In fact, the practical techniques are different, considering the amount and type of available data and of contract durations, but the concept and objective are always the same, as long as, as now required, a prospective approach is to be applied, considering time value of money and margins. There is no difference in substance, just for practical reasons different techniques are needed and different simplifications are possible, as described in 3.75 and 3.76. However, it is in any case necessary to check the suitability of the simplification in the individual case. Consequently, the same principles should apply to all forms of insurance contracts and only the consideration of the individual circumstances might cause the possibility to apply simplifications. Those relevant individual circumstances cannot be directly derived from basic terms like "biometric" or "non-biometrical".	Not agreed The contract covering life and non-life obligations should be unbundled.
441.	FFSA	3.62.	FFSA notes that the split between life and non life might not be meaningful in practice. For example, if a single contract offers both life and non life covers in the same contract and if the commission paid to intermediaries is based on the results generated by the	See No 438

			whole contract, it would not be possible to calculate a Net Present Value (NPV) of commissions linked to Life guarantees and a NPV of commission linked to Non Life guarantees.	
442.	Groupe Consultatif	3.62.	We believe that CEIOPS is making too much of a potential split in methodology for non-life insurance and life insurance.	See No 437
443.	Investment & Life Assurance Group (ILAG)	3.62.	We believe that CEIOPS is making too much of a potential split in methodology for non-life insurance and life insurance.	See No 437
444.	KPMG ELLP	3.62.	We are not sure, whether the CP is proposing, that there should be a conceptual difference between measuring contracts involving biometric risks and those involving other insurance risks. In fact, the practical techniques are, considering amount and kind of available data and of contract durations pretty different, but the concept, is always the same, as long as, as now required, a prospective approach is to be applied, considering time value of money and margins. There is no difference in substance, just for practical reasons different techniques on the pure executing side are needed and different simplifications are possible, as described in 3.75 and 3.76. However, it is in any case necessary to check the suitability of the simplification in the individual case.	See No 440
445.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCE S DU	3.63.	Does this also hold for the mathematical provision in long term health insurance?	This holds also for health obligations pursued on similar technical basis to that of life insurance
446.	Association of British Insurers	3.63.	We strongly agree with this paragraph and in particular that no surrender value floor should be assumed.	Noted
447.	CRO Forum	3.63.	"A negative best estimate is acceptable and undertaking should	Noted

			not set to zero the value of the best estimate with respect to those individual contracts. No surrender value floor should be assumed for the market consistent value of liabilities for a contract" We agree that this is the best way to calculate the best estimate.	
448.	DIMA (Dublin International Insurance & Management	3.63.	We support the recommendation to not eliminate or zeroise individual negative best estimate liabilities in the calculation of the best estimate liability. Additionally, we would identify there is no basis or scope for the imposition of a cap on the maximum amount of such negative liabilities either in monetary amounts or in relation to the aggregate position of an undertaking.	Noted
449.	European Insurance CFO Forum	3.63.	The CFO Forum supports the view that no surrender value floor should be assumed for the market consistent value of liabilities for a contract.	Noted
450.			Confidential comment deleted.	
451.	Institut des actuaires (France)	3.63.	OK for policy by policy (which is the contrary to the model point mentioned in 3.17) No objection on negative values and absence of value floors if it is well taken in account in the SCR	Not agreed Policy-by-policy is default requirement. Noted
452.	KPMG ELLP	3.63.	We agree that an important concept being introduced is that elements of the technical provisions could be negative. We do not think this is applies solely for life assurance and would apply equally to non-life insurance and especially for premium provisions.	Agreed This effect is taken into account in paragraph regarding premium provisions.
453.	Lloyd's	3.63.	We agree that an important concept being introduced is that elements of the technical provisions could be negative. We do not think that this applies solely to life assurance. It would apply equally to non-life insurance and especially to premium provisions.	See No 452
454.	Milliman	3.63.	It is unclear why the acceptance of negative best estimates for life	See No 452

			technical provisions is commented upon separately. Non-life best estimates at a granular level (especially the premium provision) could also be negative and should receive the same treatment as life best estimates.	
455.	Pricewaterhou seCoopers LLP	3.63.	We agree that permitting a negative best estimate liability in certain circumstances and no surrender value floor is acceptable in an economic framework. This comment refers also to 3.110-11.	Noted
456.	Pricewaterhou seCoopers LLP	3.63.	We agree that permitting a negative best estimate liability in certain circumstances and no surrender value floor is acceptable in an economic framework. This comment refers also to 3.110-11.	See No 455
457.	Groupe Consultatif	3.64.	The requirement for the actuarial function to confirm and if required demonstrate that model-pointing does not introduce significant potential distortion should form part of professional standards.	Noted
458.	Institut des actuaires (France)	3.64.	OK but it is in principle : it should be specified by the regulation with quantitative tests to decide when model points are allowed and when they are not.	Not agreed This is not the issue of this CP
459.	Association of Friendly Societies	3.65.	We would suggest that a policy by policy valuation will be necessary for non life unexpired risk reserves calculated on a statistical method. Grouping could be used as for life.	Noted
460.			Confidential comment deleted.	
461.	European Union member firms of Deloitte Touche To	3.65.	See our remark in 3.47.	
462.	Federation of	3.65.	The differentiation between pre-claims and claims liabilities applies	Not agreed

	European Accountants (FEE)		for life insurance, e.g. some cases of disability and health insurance have significant claims liabilities. Consequently, we do not believe, that a differentiation is adequate, between life and non-life regarding pre-claims and claims liabilities. For life insurance, a split of expenses between premium and claims liability is necessary. In life insurance, the actual payment process (not the settlement process) often causes significant amounts to be considered in claims liabilities. In case of pre-claims liabilities the approaches should as in non-life consider the probabilities of claim events explicitly. Technically, claims ratios that in life insurance are equivalent to mortality rates would be applied to determine the total amount of expected claims for pre-claim liabilities. The prospective approach associates typically cash flows with estimated probabilities.	Obligations pursued on similar technical basis to life insurance should calculate mathematical provisions and obligations pursuant on a similar technical basis to non-life should calculate separately claims and premium provisions.
463.	Groupe Consultatif	3.65.	See our remark in 3.47. We would suggest that a policy by policy valuation will be necessary for non life unexpired risk reserves calculated on a statistical method. Grouping could be used as for life.	See No 459
464.	Investment & Life Assurance Group (ILAG)	3.65.	We would suggest that a policy by policy valuation will be necessary for non life unexpired risk reserves calculated on a statistical method. Grouping could be used as for life.	See No 459
465.	KPMG ELLP	3.65.	The differentiation between pre-claims and claims liabilities applies as well for life insurance, e.g. some cases of disability and health insurance have significant claims liabilities. In the case of life insurance, a split of expenses between premium and claims liability is necessary. In life insurance, the actual payment process (not the settlement process) causes often significant costs, to be considered in claims liabilities. In case of pre-claims liabilities the approaches should as well in non-life consider the probabilities of claim events explicitly.	See No 462

			Technically, claims ratios, which are in life insurance nothing else than mortality rates, would be applied to determine the total amount of expected claims for pre-claim liabilities in non-life for each model point.	
466.			Confidential comment deleted.	
467.	CEA, ECO-SLV-09-433	3.66.	The premium provision should reflect future obligations stemming from in force policies only.	Noted
468.	European Union member firms of Deloitte Touche To	3.67.	We note that 'future premium payments' should be 'future premiums'. See also 3.86.	Agreed See revised text
469.	Groupe Consultatif	3.67.	We not that 'future premium payments' should be 'future premiums'. See also 3.86.	See No 468
470.	KPMG ELLP	3.67.	We agree with the components of the premium provisions and note that in many circumstances this can lead to a negative provision.	Noted
471.	Lloyd's	3.67.	We agree with the components of the premium provisions and note that in many circumstances this can lead to a negative provision.	See No 470
472.	Milliman	3.67.	The components of the premium provisions are appropriate. For policies where premium is paid in arrears, this could lead to a negative premium provision.	Noted
473.	RBS Insurance	3.67.	We believe that a simplification based on a % of the UEP should be permissible where suitable conditions are met.	Not agreed Simplifications are not the issue of this CP
474.	CRO Forum	3.68.	"The valuation should take account of time value of money where risks in the remaining period would give rise to claims settlements into the medium term future."	Agreed See revised text

			If would be helpful to define 'medium term future'	
475.	Groupe Consultatif	3.68.	What is meant by "medium term future"?	See No 474
476.	KPMG ELLP	3.68.	We do not believe the last sentence "The valuation should take account of the time value of money where risk in the remaining period would give rise to claims settlements in the medium term" is correct. We believe the directive is clear in that technical provisions are discounted for the time value of money in all circumstances, irrespective of the expected time to payment.	Agreed See revised text
477.	Lloyd's	3.68.	The statement that "The valuation should take account of the time value of money where risk in the remaining period would give rise to claims settlements in the medium term" is incorrect. The Framework Directive, article 76(2), is clear that technical provisions are discounted for the time value of money in all circumstances, irrespective of the expected time to payment.	See No 476
478.	Milliman	3.68.	We do not believe the last sentence "The valuation should take account of the time value of money where risk in the remaining period would give rise to claims settlements in the medium term" is correct. We believe the directive is clear in that technical provisions are discounted for the time value of money in all circumstances, irrespective of the expected time to payment.	See No 476
479.	XL Capital Ltd	3.68.	"Such a valuation would take account fo expected profits (premiums exceeding costs) during remaining periods on risk." This sentence is not necessary and misleading as it is only the liability provision being evaluated not expected profits.	Agreed See revised text
480.	XL Capital Ltd	3.70.	We would prefer the wording to include "material" claim events. We acknowledge that the Directive states that proportionality shall be applied throughout Solvency II, however we feel it would be helpful for this paper to include a section discussing materiality and	Not agreed Not part of this CP

			proportionality.	
481.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.71.	This has to be done if the number of claims is significant. Otherwise, this leads to complicated calculations for a result not too far from the global method.	Not agreed Simplifications are not part of this CP
482.	AMICE	3.71.	CEIOPS asked for feedback on a proposed separate calculation for premium provisions of annuity obligations (for non-life policies). We agree with the CEA that, since it is not possible to know in advance the share of the premium provision which will give rise to the payment of annuities, a separate calculation of annuity obligations for premium provisions will produce results which may not be very reliable. AMICE members argue that it would be more appropriate to consider the method of provisioning without requiring any splitting.	Noted
483.	Association of British Insurers	3.71.	We disagree with the proposal for a separate calculation for premium provisions of annuity obligations (for non-life policies). This would not be feasible for all non-life business as it may not be possible to know in advance the share of premium provision that will give rise to the payments of annuities (for which an assessment is required). A separate calculation of annuity obligations for premium provisions would prove very burdensome whether it is a substantial part or not of the business. Furthermore, if a separate calculation is required for claims provisions, this should only be carried out if the risk is material – the proportionality principle should apply here.	Noted See No 481
484.			Confidential comment deleted.	
485.	CEA,	3.71.	The requirement for separate calculations for non-life annuities may	See No 481 & 482

	ECO-SLV-09-433		not always be appropriate and should be applied proportionately. We disagree with Ceiops' strict proposals for a separate calculation for premium provisions of annuity obligations (for non-life policies). This would not be feasible for all non-life business as it may not be possible to know in advance the share of premium provision that will give rise to the payments of annuities (for which an assessment is required). A separate calculation of annuity obligations for premium provisions could prove very burdensome whether it is a substantial part of the business or not. Furthermore, if a separate calculation is required for claims provisions, this should only be carried out if the risk is substantial – the proportionality principle should apply here. ☐ We request that the requirement for the separation of premium provisions is removed. ☐ We request that the requirement for the separation of claims provisions is only required for significant annuity risks.	
486.	CRO Forum	3.71.	"If non-life policies give rise to the payment of annuities whose estimate requires the use of appropriate life actuarial techniques, the provisions for claims outstanding should be carried out separately for annuities and other claims. For premium provisions, a separate calculation of annuity obligations should be performed if a substantial amount of incurred claims will give rise to the payment of annuities" This could be onerous to companies in some circumstances and not be practical to propose a separate calculation for premium provisions of annuity obligations (for non-life policies). The proportionality principle needs to apply here. Only in case of major risks, this should be carried out.	See No 481 & 482
487.	Dutch Actuarial	3.71.	We agree with this view that a separate calculation of annuity obligations should be performed if a substantial amount of incurred	See No 481 & 482

	Society – Actuarieel Genootschap (		claims will give rise to the payment of annuities. However, we would like to emphasise the practical implications and difficulties in splitting the portfolio in annuity type and non annuity type premiums and claims: For some products the premiums can not be split due to the fact that no separate cover (and thus separate premium) is determined for the specific annuity part of the policy. Separation of the claims is also not always possible, since for example both annuity payments and lump sum payments are sometimes made on the same claim.	
488.	European Insurance CFO Forum	3.71.	Reported annuity claims should be computed using life techniques. There should not be a separate annuity part in relation to premium provisions. For reported annuity claims, life insurance techniques should be adopted to calculate the annuity. We do not agree that the premium provision should have a separate annuity part.	See No 481 & 482
489.	European Union member firms of Deloitte Touche To	3.71.	We agree with this view that a separate calculation of annuity obligations should be performed if a substantial amount of incurred claims will give rise to the payment of annuities. However, we should like to emphasise the practical implications and difficulties in splitting the portfolio into annuity type and non annuity type claims. For premiums this will not often be possible due to the specific characteristics of the policies. There is often no separate cover and thus premium is determined for the specific annuity type of claims.	See No 481 & 482
490.	FFSA	3.71.	FFSA disagrees with CEIOPS, who proposes a separate calculation for premium provisions of annuity obligations (for non-life policies) as it’s just not feasible for non-life business.	Noted
491.	German	3.71.	We disagree with CEIOPS´strict proposal for a separate calculation	See No 481 & 482

	Insurance Association – Gesamtverband der D		for premium provisions of annuity obligations (for non-life policies). This would not be feasible for all non-life business as it may not be possible to know in advance the share of premium provision that will give rise to the payments of annuities (for which an assessment is required). A separate calculation of annuity obligations for premium provisions would prove very burdensome – without any gain in precision - whether it is a substantial part of the business or not.	
492.	Groupe Consultatif	3.71.	Some consideration of materiality would be appropriate here. We agree with this view that a separate calculation of annuity obligations should be performed if a substantial amount of incurred claims will give rise to the payment of annuities. However, we would like to emphasise the practical implications and difficulties in splitting the portfolio in annuity type and non annuity type claims. For premiums often this won't be possible due to the specific characteristics of the policies. Often no separate cover and thus premium is determined for the specific annuity type of claims.	See No 481 & 482
493.	Pricewaterhouse Coopers LLP	3.71.	In principle the proposed approach appears reasonable; however, the concepts of materiality and proportionality should be a key consideration. We also note that there maybe practical issues in performing the proposed split.	See No 481 & 482
494.	Pricewaterhouse Coopers LLP	3.71.	In principle the proposed approach appears reasonable; however, the concepts of materiality and proportionality should be a key consideration. We also note that there maybe practical issues in performing the proposed split.	See No 481 & 482
495.	RBS Insurance	3.71.	We believe the use of life actuarial techniques is suitable for valuing annuity provisions arising out of non-life insurance policies (eg-periodic payments). However we believe the use of these techniques should only be required if the annuity-type liabilities	See No 481 & 482

			form a material part of the claims provisions and/or treating them as part of non annuity claims would result in a material distortion in the best estimate, as this calculation involves considerable extra work for the undertaking. Suggest the following wording: "If non-life insurance policies give rise to the payment of annuities whose estimate requires the use of appropriate life actuarial techniques, and where these liabilities form a material part of the technical provisions for the homogenous group under consideration, the provisions for claims outstanding should be carried out separately for annuities and other claims"	
496.	ROAM	3.71.	CEIOPS asked for feedback on a proposed separate calculation for premium provisions of annuity obligations (for non-life policies) When the risk is substantial, a separate calculation for claims provisions has to be done. If the company enters in its accounts provisions for claims outstanding calculated by discounting annuities, those provisions should be estimated, with the method of the best estimate, with appropriate life actuarial techniques. The calculation for other provisions should be carried out by using non-life methods.	See No 481 & 482
497.			Confidential comment deleted.	
498.	CEA, ECO-SLV-09-433	3.72.	It is not clear what split is being referred to here: ☐ If it relates to using life annuity methodologies - see the response to Para 3.71 above. ☐ If it relates to splitting the best estimate between premium and claim provisions - see our response to Para 3.112. The requirement for certain splits may be disproportionate. Please note that consideration should be given to the fact that (re)insurers may not historically have maintained the necessary	Noted

			data to perform certain splits. Also that the necessary system changes to start collecting such data may be disproportionate ☐ We request that Ceiops either deletes the last sentence of Para 3.71 or at a minimum revises the text to require the criterion to be "the accuracy and materiality of the outcomes" rather than "a substantial amount of claims".	
499.	CRO Forum	3.72.	See our answer on §3.71	
500.	European Insurance CFO Forum	3.72.	The CFO Forum believes there will be practical issues associated with splitting annuity provisions between claims outstanding and premiums. In addition, the CFO Forum notes that reinsurers do not usually have the necessary data available to perform the proposed split. Comments in 3.216 are also relevant here.	Noted
501.	FFSA	3.72.	FFSA thinks that regarding non-life business, a separate calculation of annuity obligations for premium provisions would be a burden whatever the part of it is substantial or not. The undertaking doesn't know in advance the share of premium provision that will give rise to the payments of annuities and have to assess this part.	Noted
502.	Groupe Consultatif	3.72.	Here CEIOPS asks for feedback on 3.71. We strongly agree that "provisions for claims outstanding should be carried out separately for annuities and other claims", since for the latter life techniques are better used. This refers to annuities already in force. As for expected future annuities, these are part of the provisions for "other claims". Hence, for premium provision (where all annuities are future annuities) there is no need for a separate calculation for annuities and the second sentence of 3.72 could be excluded from the text. The calculation should be dependent on the characteristic of the	Noted

			risk. Therefore the method should follow the nature of the risk.	
503.	Institut des actuaires (France)	3.72.	The process described in paragraph (3.71.) is not a realistic approach. One should try to reach a preferential calculation process rather than a technical compulsory split Institut des Actuaires understands and agrees with ☐ the split between traditional P&C claims and payment of annuities as these are based on life techniques ☐ the separation explained in 3.65 between claims on past events and claims on future events (in place of the former premium provision based on amount of premiums and not on future cash flows) Regarding the provision on future events, except when it is marginal or not material (on criteria to develop in level 3 measures) it seems necessary to have the more realistic cash flows and to split the provision calculated from future claim payments and future annuities payments. Indeed, the cash flow of these 2 reserves contain very different risks and the SCR associated shall be calculated on different bases (non-life on the one side and life on the other side).	Noted
504.	KPMG ELLP	3.72.	QIS 4 technical specification say that annuities should only be valued separately if they are material. The CP suggests that any annuity should be valued separately which is a much more onerous process. We believe the principle of proportionality should apply here.	Noted
505.	Lloyd's	3.72.	We believe the split of business should follow the principle of substance over form.	Noted
506.	Munich RE	3.72.	We agree in principle with the proposed split, but note that i. reinsurers usually do not have the necessary data to perform this split.	Noted

			ii. The principle of materiality should be applied, as otherwise it would be too burdensome for some insurers	
507.	Pricewaterhou seCoopers LLP	3.72.	See comments under 3.71	
508.	Pricewaterhou seCoopers LLP	3.72.	See comments under 3.71	
509.	RBS Insurance	3.72.	We are happy with the proposed split, provided materiality conditions are applied.	Noted
510.	SOGECORE	3.72.	We support the proposed split	Noted
511.	Association of Friendly Societies	3.73.	We suggest too much is made here of the differing techniques used in life and non-life. We suggest that actuarial methods for life insurance will include allowances for IBNR on health insurance claims and actuarial methods for general insurance includes annuity valuation for workers compensation claims. The premium reserve in general insurance is exactly the same as the basic policy reserve for life assurance – a reserve discounting claims and expenses expected for the unexpired risk that is guaranteed to the client. We would suggest that the split between life and non-life is unhelpful. We would also suggest that non life insurance should also consider discretionary benefits and the advantages offered to existing clients on renewal (especially for medical expenses insurance). We would suggest that classes of policy types should be valued separately.	Noted
512.	Groupe Consultatif	3.73.	We certainly agree with the principle of substance over form. We note that there is not necessarily a firm distinction between non-life and life methods but that, for example different methods are appropriate to deal with long-term risks (most life business) and risks which have both frequency and severity dimensions (most non-life business).	Noted

			We suggest too much is made here of the differing techniques used in life and non-life. We suggest that actuarial methods for life insurance will include allowances for IBNR on health insurance claims and actuarial methods for general insurance includes annuity valuation for workers compensation claims. The premium reserve in general insurance is exactly the same as the basic policy reserve for life assurance – a reserve discounting claims and expenses expected for the unexpired risk that is guaranteed to the client. We would suggest that the split between life and non-life is unhelpful. We would also suggest that non life insurance should also consider discretionary benefits and the advantages offered to existing clients on renewal (especially for medical expenses insurance). We would suggest that classes of policy types should be valued separately.	See No 511
513.	Investment & Life Assurance Group (ILAG)	3.73.	We suggest too much is made here of the differing techniques used in life and non-life. We suggest that actuarial methods for life insurance will include allowances for IBNR on health insurance claims and actuarial methods for general insurance includes annuity valuation for workers compensation claims. The premium reserve in general insurance is exactly the same as the basic policy reserve for life assurance – a reserve discounting claims and expenses expected for the unexpired risk that is guaranteed to the client. We would suggest that the split between life and non-life is unhelpful. We would also suggest that non life insurance should also consider discretionary benefits and the advantages offered to existing clients on renewal (especially for medical expenses insurance). We would suggest that classes of policy types should be valued separately.	See No 511
514.	PricewaterhouseCoopers LLP	3.73.	We welcome the acknowledgement of the difference between life and non-life actuarial techniques.	Noted
515.	PricewaterhouseCoopers LLP	3.73.	We welcome the acknowledgement of the difference between life and non-life actuarial techniques.	See No 514
516.	SOGECORE	3.73.	We also strongly support the principle of substance over form	Noted

517.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCE S DU	3.74.	We wonder if the concept of Unit-Linked in this paragraph means Pure Unit-Linked as in "CP 41 4.1.2.Examples."	It means pure unit linked.
518.	Association of Friendly Societies	3.74.	Unit linked products are not out of scope.	Agreed See revised text
519.	CEA, ECO-SLV-09-433	3.74.	Unit linked business is taken as an example of "products of a strong financial nature and little to none underwriting risk". This is not a good example because with the current calibration of mass lapse risk (see CP49 and QIS4 results), underwriting risk on unit linked business appears stronger than market risk.	Agreed See revised text
520.	European Insurance CFO Forum	3.74.	The example of unit linked should be removed. Not all unit linked products have little to none underwriting risk. This example should therefore be removed.	Agreed See revised text
521.	Federation of European Accountants (FEE)	3.74.	The relevant criterion for scoping out certain products should not be the type of risk but the extent of insurance risk compared to financial risk. IFRS 4 does not distinguish between different types of insurance risk. The trigger in IFRS 4 is significant insurance risk. Unit-linked term insurance has significant insurance risk and therefore any other distinction other than significant insurance risk is not appropriate.	Agreed See revised text
522.			Confidential comment deleted.	
523.	Groupe Consultatif	3.74.	This paragraph is ambiguous and might be deleted – there are unit-linked products which also include considerable underwriting risk.	See No 520
524.	Investment & Life Assurance	3.74.	Unit linked products are not out of scope.	See No 518

	Group (ILAG)			
525.	KPMG ELLP	3.74.	The relevant criterion for scoping out certain products should not be the type of risk but the involved degree of insurance risk (of what kind ever) in comparison with financial risk. IFRS 4 does not distinguish at all insurance risk types but requires that it is significant. Unit-linked term insurance has a material insurance risk and therefore any other distinguishing than based on significance of insurance risk is not conceptually clean.	See No 521
526.	OAC Actuaries and Consultants	3.74.	Unit linked products are not out of scope.	See No 518
527.	Association of Friendly Societies	3.76.	IBNR for life policies uses run off triangles. There is no difference in frequency severity models and the models used for life assurance. Unearned premiums are equivalent to the policy reserve in life assurance.	Noted
528.	Association of Run-Off Companies	3.76.	For some types of business or types of claims (e.g. in relation to latent claims arising on some portfolios, especially those in run-off), there are other methods that may be more appropriate than those listed in this paragraph. For example, "Exposure-based" methods should be mentioned.	Noted
529.			Confidential comment deleted.	
530.	European Union member firms of Deloitte Touche To	3.76.	Last bullet point: Unearned should be removed as Premium Provisions refers both to the unearned premiums reserve (UPR) and also the unexpired risks reserve (URR).	Agreed See revised text
531.	Groupe Consultatif	3.76.	Last bullet point. Unearned should be removed as Premium Provisions refers both to the unearned premiums and also the URR.	See No 530

			IBNR for life policies uses run off triangles. There is no difference in frequency severity models and the models used for life assurance. Unearned premiums is equivalent to the policy reserve in life assurance.	See No 527
532.	Investment & Life Assurance Group (ILAG)	3.76.	IBNR for life policies uses run off triangles. There is no difference in frequency severity models and the models used for life assurance. Unearned premiums are equivalent to the policy reserve in life assurance.	See No 527
533.	KPMG ELLP	3.76.	We welcome the recognition of standard non-life actuarial techniques in the level 2 text.	Noted
534.	Lloyd's	3.76.	We welcome the recognition of standard non-life actuarial techniques in the level 2 text.	See No 533
535.	Pricewaterhou seCoopers LLP	3.76.	We question whether these techniques are the only acceptable techniques. For example, there is no mention of exposure based methods.	Agreed See revised text
536.	Pricewaterhou seCoopers LLP	3.76.	We question whether these techniques are the only acceptable techniques. For example, there is no mention of exposure based methods.	See No 535
537.	KPMG ELLP	3.78.	We agree that the principle of substance over form should apply when choosing methods. This is also part of expert judgement.	Agreed See revised text
538.	Lloyd's	3.78.	We agree that the principle of substance over form should apply when choosing methods. This is also part of expert judgement.	See No 537
539.	Milliman	3.78.	We agree that the principle of substance over form should apply when choosing methods. This is also part of expert judgement.	See No 537
540.	CRO Forum	3.79.	"In practice, in the majority of cases the form will correspond to the substance. However, there are important situations where this is not the case: - claims covered by non-life contracts such as Motor and Workers	Noted

			comp can give rise to the payment of life annuities, whose estimation clearly requires the use of appropriate life actuarial techniques. …. " For Motor portfolios, best practice (in most countries) is to use run-off triangles approaches. Run-off triangle approaches based on incurred claims, already implicitly have case reserve estimates based on annuities. In the Motor portfolios where annuities are not material, it would be onerous and impractical to apply life actuarial techniques to determine the liabilities.	
541.	European Insurance CFO Forum	3.79.	The CFO Forum supports the points made in this paragraph.	Noted
542.	Institut des actuaires (France)	3.79.	Institut des actuaries agrees with all developments about "substance over form". In the list of important situation where usual methodology can not be used, you could add : ☐ valuation of IBNR in life activities which refers to non life techniques (projection of triangles as exposed in 3.76) ☐ in some genuine life activities (like death in credit insurance) life methodology (as exposed in 3.75) can not be applied due to the lack of data or to specific behaviour of insured persons.	Noted
543.	AMICE	3.80.	CEIOPS says that in deriving the best estimate of technical provisions, all potential future in and out cash-flows that would be incurred in meeting liabilities need to be identified and valued. AMICE agrees with the CEA that in and out future cash-flows have to be identified but do not necessarily have to be valued separately. The choice of calculating the best estimate gross or net depends also on the underlying risks.	Not agreed The directive requires that all cash flows which include cash in- and cash out- flow are included in the valuing the technical provisions and that technical provisions is calculated gross of

				recoverable form reinsurance and special purpose vehicles.
544.	Association of British Insurers	3.80.	Materiality and proportionality should be applied in determining which cashflows need to be modelled stochastically. The use of the phrase "all potential future cash-flows that would be incurred in meeting liabilities to policyholders from existing insurance and reinsurance contracts need to be identified and valued" implies the use of stochastic models to derive all cashflows in all areas of business, which would be an extremely onerous requirement and so should be used only where justified.	Not agreed The technical provisions should correspond to the weighted-average of all future cash flows.
			The advice should not preclude the need to combine cash in- and out-flows in certain cases. Whilst we agree that future cash in- and out -flows have to be identified, we do not believe that they necessarily have to be valued separately. It is indeed sometimes more relevant to calculate the best estimate net from salvage and subrogation for instance rather than gross. Data about salvage and subrogation can be scarce and not sufficient so it may be meaningless to use actuarial methodologies in this case. The choice of calculating the best estimate gross or net depends also on the underlying risks.	Not agreed The paragraph does not require that cash in- and out- flows should be valued separately. The technical provision should be calculated gross without taking into account recoverable from reinsurance and special purpose vehicles.
545.			Confidential comment deleted.	
546.	CEA, ECO-SLV-09-433	3.80.	Reference should be made to best estimate liabilities not technical provisions. We recommend that "best estimate of technical provisions" is replaced with "best estimate liabilities".	Agreed See revised text

			Materiality (and proportionality) should be applied in determining which cash-flows need to be separately modelled. We recommend that "all potential future cash-flows" is replaced with "all material potential future cash-flows" The advice should not preclude the need to combine cash in- and out-flows in certain cases. Ceiops states that in deriving the best estimate of technical provisions, all potential future in and out cash-flows that would be incurred in meeting liabilities need to be identified and valued. We agree that future cash in- and out -flows have to be identified but we do not agree that they necessarily have to be valued separately. It is indeed sometimes more relevant to calculate the best estimate net from salvage and subrogation for instance rather than gross. Data about salvage and subrogation can be scarce and not sufficient so it may be meaningless to use actuarial methodologies in this case. The choice of calculating the best estimate gross or net depends also on the underlying risks. We agree that the cash in- and out-flows should only relate to existing business. Please note that we did not agree with Ceiops' proposals in CP30 Technical Provisions – Treatment of Future Premiums, and our response sets out an appropriate approach.	Not agreed Article 76(2) requires that cash-flow should take account of all cash-flows. See No 544 Noted
547.	CRO Forum	3.80.	"The cash-flow projection used in the calculation of the best estimate should take into account of all cash in- and out-flows required to settle the obligations over their lifetime." We agree that all best estimate cash flows should be in scope for	Noted

			valuation of the best estimate. This means that also a best estimate of future premium income from in force business should be accounted for.	
548.	European Insurance CFO Forum	3.80.	Comments in 3.82 are also relevant here. The CFO Forum commented on the treatment of future premiums in its response to CEIOPS on CP30, expressing support for the inclusion of future premiums in the valuation of technical provisions.	Noted
549.	FFSA	3.80.	CEIOPS says that in deriving the best estimate of technical provisions, all potential future in and out cash-flows that would be incurred in meeting liabilities need to be identified and valued. FFSA thinks that in and out future cash-flows have to be identified but not have to be necessarily valued separately. It is indeed sometimes more relevant to calculate the best estimate net from salvage and subrogation for instance rather than gross. Data about salvage and subrogation can be scarce and not sufficient so it may be meaningless using actuarial methodologies in this case; the choice of calculating the best estimate gross or net depends also on the underlying risks.	See No 544
550.	German Insurance Association – Gesamtverband der D	3.80.	Reference should be made to best estimate liabilities not technical provisions: We recommend that "best estimate of technical provisions" is replaced with "best estimate liabilities". Materiality (and proportionality) should be applied in determining which cash-flows need to be separately modelled: We recommend that "all potential future cash-flows" is replaced with "all material potential future cash-flows"	See No 546 See No 546

			The advice should not preclude the need to combine cash in- and out-flows in certain cases: CEIOPS states that in deriving the best estimate of technical provisions, all potential future in and out cash-flows that would be incurred in meeting liabilities need to be identified and valued. We agree that future cash in- and out -flows have to be identified but we do not agree that they necessarily have to be valued separately. It is indeed sometimes more relevant to calculate the best estimate net from salvage and subrogation for instance rather than gross. Data about salvage and subrogation can be scarce and not sufficient so it may be meaningless to use actuarial methodologies in this case. The choice of calculating the best estimate gross or net depends also on the underlying risks. We agree that the cash in- and out-flows should only relate to existing business.	See No 544 See No 546
551.	KPMG ELLP	3.80.	We agree with the basis underlying the calculation of the technical provisions. We do note that some future premiums (for example, swing rated or adjustment premiums) can relate to claims that have already occurred and, hence, introduce a mismatch between claim and premium provisions. There is no issue in the aggregate.	Noted
552.	Legal & General Group	3.80.	The use of the clause “all potential future cash-flows that would be incurred in meeting liabilities to policyholders form existing insurance and reinsurance contract need to be identified and value” implies the use of stochastic models for all business. Modelling all potential future cashflows would be an extremely onerous requirement, and appears inconsistent with other paragraphs in the CP, e.g. 3.82.	See No 544
553.	Lloyd’s	3.80.	We agree with the basis underlying the calculation of technical	See No 551

			provisions. We do note that some future premiums (for example, swing rated or adjustment premiums) can relate to claims that have already occurred and, hence, introduce a mismatch between claim and premium provisions. There is no issue in the aggregate.	
554.	PEARL GROUP LIMITED	3.80.	Materiality (and proportionality) should be applied in determining which cashflows need to be separately modelled We recommend that "all potential future cashflows" is replaced with "all material potential future cashflows"	See No 546
			The advice should not preclude the need to combine cash in- and out-flows in certain cases Whilst we agree that future cash in- and out -flows have to be identified, we do not believe that they necessarily have to be valued separately. It is indeed sometimes more relevant to calculate the best estimate net from salvage and subrogation for instance rather than gross. Data about salvage and subrogation can be scarce and not sufficient so it may be meaningless to use actuarial methodologies in this case.	See No 544
			The choice of calculating the best estimate gross or net depends also on the underlying risks. We agree that the cash in- and out-flows should only relate to existing business.	See No 546
555.	Pricewaterhou seCoopers LLP	3.80.	We refer to our submitted comments on Consultation Paper 30.	
556.	Pricewaterhou seCoopers LLP	3.80.	We refer to our submitted comments on Consultation Paper 30.	
557.	XL Capital Ltd	3.80.	We would prefer the wording to include all "material" potential future cash flows. We feel it would be helpful for this paper to include a section discussing materiality and proportionality.	See No 546

558.	CEA, ECO-SLV-09-433	3.81.	The wording related to the treatment of co-insurance should be amended. We request that the text is clarified for the treatment of co-insurance, with the addition of: "… For co-insurance contracts, only the companies' own share shall be included".	Agreed See revised text
559.	European Insurance CFO Forum	3.81.	The CFO Forum recommends adding the following sentence regarding co-insurance contracts. "For co-insurance contracts only the company's own share should be included".	See No 558
560.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.82.	How can we account for these factors, it seems feasible over a short time but on a longer time horizon? example-> Economics -> changes in rates, or inflation? Demograhics developments, legal medical, technology must be suggested by the supervisors of each country	Noted
561.	AMICE	3.82.	As pointed out in our comments to paragraph 3.39, more guidance is needed on how to take account of "potential future cash flows" such as legal, technological or social developments.	Not agreed Guidance not part of this CP
562.	CEA, ECO-SLV-09-433	3.82.	Best estimate assumptions should be used. Ceiops states that cash flows should reflect realistic future demographic, legal, medical, technological, social or economic developments. Although the term "realistic" was used in this statement, it is important to state that cash flows should be calculated using best estimate assumptions. In order to avoid any misinterpretation or excessive prudence: ☐ We recommend that "realistic future" is replaced by "expected".	Not agreed In definitions of term the word "realistic" was defined

			We agree in principle with the inclusion of demographical, legal, medical, technological, social and economic changes, but we believe continuing dialogue between industry, supervisors, and professions will be required to achieve this. Furthermore, we would request information as to whether the regulators will provide companies with information to reflect realistic future legal developments.	Noted
563.	CRO Forum	3.82.	"Cash-flow projections should reflect realistic future demographic, legal, medical technological, social or economical developments" We recognise the principles behind such advice, however we would like to highlight that cash-flow projections for demographics etc have significant amount of judgement therefore any requirements for a 'realistic' projection should take unpredictability of such variables in account.	Noted
564.	European Insurance CFO Forum	3.82.	Reflecting realistic future legal developments in cash-flows will be difficult in practice. Given that these developments would be set at an industry level, we would require the regulator to provide information to companies on any proposed future developments.	Noted
565.	FFSA	3.82.	CEIOPS states that cash flows should reflect realistic future demographic, legal, medical, technological, social or economic developments. Although the term "realistic" was used in this statement, it's important to remind that cash flows should be calculated using best estimate assumptions. In order to avoid any misinterpretation or an excess of prudence, FFSA recommends changing "realistic future" by "expected". FFSA would like to know whether CEIOPS expects regulators to provide companies with such information to reflect realistic future legal developments	See No 562 See No 562

566.			Confidential comment deleted.	
567.	German Insurance Association – Gesamtverband der D	3.82.	Best estimate assumptions should be used: CEIOPS states that cash flows should reflect realistic future demographic, legal, medical, technological, social or economic developments. Although the term "realistic" was used in this statement, it is important to state that cash flows should be calculated using best estimate assumptions. In order to avoid any misinterpretation or excessive prudence: ☐ We recommend that "realistic future" is replaced by "expected". We agree in principle with the inclusion of demographical, legal, medical, technological, social and economic changes, but practical implications of this requirements should be developed. Furthermore, we would request information as to whether the regulators will provide companies with information to reflect realistic future legal developments. See also our comments to Para 3.84.	See No 562 See No 562
568.	Groupe Consultatif	3.82.	We agree this in principle, although consideration of what is realistic and why should be a matter for professional standards.	Noted
569.	Just Retirement Limited	3.82.	The factors (demographic, medical, technological, social and economic) to be reflected are very widely drawn. It may be appropriate for some risks, for example legal risk, to be dealt with via capital rather than in the valuation of the technical provisions. Other factors, in particular technological and social, are inherently unquantifiable and are better considered as part of the overall risk management process.	Not agreed Realistic developments of those factors should be taken into account in technical provisions.
570.	KPMG ELLP	3.82.	We strongly believe the assumptions should be realistic and not contain any margins for prudence or optimism.	Noted

571.	Lloyd's	3.82.	We strongly believe the assumptions should be realistic and not contain any margins for prudence or optimism.	See No 570
572.	RBS Insurance	3.82.	Suggest developments only need to be reflected where they are relevant to the calculation results and have a material effect on the results.	Not agreed Definition of realistic covers relevant developments
573.	AAS BALTA	3.83.	We agree that explicit future inflation assumptions should be made. The use of a distribution of future inflation rates rather than a deterministic assumption should be catered for.	Noted
574.	AB Lietuvos draudimas	3.83.	We agree that explicit future inflation assumptions should be made. The use of a distribution of future inflation rates rather than a deterministic assumption should be catered for.	See No 573
575.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCE S DU	3.83.	In collective insurance like group insurance and occupational pension plans, if we have to take into account parameters like projections of wages, turnover of employees, increase of the legal ceilings, … this becomes quite difficult. Could you give more precisions?	Not agreed Guidance are not part of this CP
576.			Confidential comment deleted.	
577.	CEA, ECO-SLV-09-433	3.83.	Proportionality should apply. In principle we agree, but the proportionality principle should apply - it is not necessary to have explicit inflation assumptions for very short tailed lines of business such as Motor for example.	Not agreed Proportionality not part of this CP
578.	DENMARK Codan Forsikring A/S (10529638)	3.83.	We agree that explicit future inflation assumptions should be made. The use of a distribution of future inflation rates rather than a deterministic assumption should be catered for.	See No 574
579.	EMB	3.83.	Many standard non-life projection methodologies make implicit allowance for future inflation. Attempting to isolate historic	See No 577

			inflation and make explicit allowance for future inflation (which would seem necessary to demonstrate consistency with the economic assumptions made in the asset valuation (c.f. 3.50)) will be very challenging for certain lines of business. We would urge that proportionality is considered in this respect.	
580.	European Insurance CFO Forum	3.83.	Assumptions for future inflation may not be needed for all lines of businesses, especially businesses with very short tailed liabilities. This requirement should exempt short tailed businesses, such as Motor Hull, where inflation is insignificant. The principle of proportionality should be considered in the application of this paragraph.	See No 577
581.	German Insurance Association – Gesamtverband der D	3.83.	In principle agreed, but also here the proportionality principle should apply - it is not necessary to have explicit inflation assumptions for short tailed lines of business.	See No 577
582.	International Underwriting Association of London	3.83.	We note that "appropriate assumptions for inflation should be built into the cash-flow projection"; we agree that such assumptions should be included in the best estimate, although inflation can be difficult to reliably predict, especially the further into the future one looks. Claims and expenses inflation could also be quite challenging to predict in the absence of complex models; proportionality for undertakings will be important.	See No 577
583.	KPMG ELLP	3.83.	This is unnecessary, as it would be implicitly included by a suitably experienced expert. See 3.39.	Not agreed This is the requirement of Article 77(2)
584.	Link4 Towarzystwo Ubezpieczeń SA	3.83.	We agree that explicit future inflation assumptions should be made. The use of a distribution of future inflation rates rather than a deterministic assumption should be catered for.	See No 574

585.	Lloyd's	3.83.	This is unnecessary, as it would be implicitly included by a suitably experienced expert. See 3.39.	See No 583
586.	Milliman	3.83.	Care should be taken to identify the types of inflation to which particular cash-flows are exposed. Many insurance obligations are subject to multiple inflationary forces in disproportionate ways (e.g. medical inflation, salary inflation, regulatory inflation and CPI can all impact liability lines, dependent on the type of claim and the terms of indemnity compensation).	Noted
587.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.83.	We agree that explicit future inflation assumptions should be made. The use of a distribution of future inflation rates rather than a deterministic assumption should be catered for.	See No 574
588.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.83.	We agree that explicit future inflation assumptions should be made. The use of a distribution of future inflation rates rather than a deterministic assumption should be catered for.	See No 574
589.	RSA Insurance Group PLC	3.83.	We agree that explicit future inflation assumptions should be made. The use of a distribution of future inflation rates rather than a deterministic assumption should be catered for.	See No 574
590.	RSA Insurance Ireland Ltd	3.83.	We agree that explicit future inflation assumptions should be made. The use of a distribution of future inflation rates rather than a deterministic assumption should be catered for.	See No 574
591.	RSA - Sun Insurance Office Ltd.	3.83.	We agree that explicit future inflation assumptions should be made. The use of a distribution of future inflation rates rather than a deterministic assumption should be catered for.	See No 574

592.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.83.	We agree that explicit future inflation assumptions should be made. The use of a distribution of future inflation rates rather than a deterministic assumption should be catered for.	See No 574
593.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCE S DU	3.84.	Full lifetime projections, especially when requiring stochastic computations, needs to be balanced with materiality. Life insurance guarantees often span over more than 50 years, which discounted only represent a small fraction of the current value and of the value volatility (I.e. the risks faced by an undertaking). Therefore, we would propose to set a maximum time limit.	Not agreed The lifetime projection should be to the end of the insurance liabilities
594.	Association of British Insurers	3.84.	We believe the requirements of CEIOPS that the projection horizon used in the calculation of best estimate should cover the full lifetime of the contract may be unrealistic and could result in a very time consuming exercise with a limited impact on the results. The determination of the lifetime should be based on realistic assumptions about when the contract will be discharged, cancelled or expired and so the projection should be carried until the contract expires under the so called "realistic assumptions". The projection horizon should only cover the full lifetime of the insurance and reinsurance portfolio if this has a material effect on the underlying risk.	See No 593
595.	CEA, ECO-SLV-09-433	3.84.	The proportionality principle should be used to determine the projection horizon. Ceiops states that the projection horizon used in the calculation of best estimate should cover the full lifetime of the contract. The determination of the lifetime should be based on realistic assumptions about when the contract will be discharged, cancelled or expired and so the projection should be carried until the extension of the contract under the so called "realistic assumptions".	See No 593

			We believe that the requirements of Ceiops may be unrealistic and could result in an overly burdensome exercise with a limited impact on the results. The projection horizon should only cover the full lifetime of the insurance and reinsurance portfolio if this has a material effect on the underlying risk. ☐ We recommend that it should be stated that if the projection horizon does not extend to the full lifetime of the contract, the undertaking should ensure that the use of a shorter projection horizon does not significantly affect the results.	
596.	CRO Forum	3.84.	The projection horizon should only cover the full lifetime of the insurance and reinsurance portfolio if this has a material effect on the underlying risk (e.g. long-term annuity business). Proportionality principle should be applied. Since there is a high sensitivity concerning the projection horizon at least for undertakings with long-term annuities and a linkage to risk free interest rate term structure and its calibration at the long end, we would suggest to either have the industry review this proposal in connection with the proposal for the risk free interest rate term structure (e.g. in QIS5).	Not agreed Proportionality is not part of this CP
597.	DIMA (Dublin International Insurance & Management	3.84.	In some circumstances it may be proportionate and appropriate to use a time horizon shorter than the full lifetime as a simplification.	See No 596
598.	Dutch Actuarial Society – Actuarieel Genootschap (	3.84.	It seems more accurate to replace "insurance and reinsurance portfolio of" by "all obligations from"	Agreed See revised text
599.	European Insurance CFO	3.84.	The proportionality principle should be applied when determining the projection horizon. The full lifetime of the insurance portfolio	See No 596

	Forum		should only be considered where this has a material effect on the underlying risk. There may be practical difficulties in projecting until the theoretical full life time of the insurance portfolio for certain classes of long tailed liabilities. Where the effect is demonstrated to be immaterial, a shorter duration should be permitted. Guidance is required on how to calibrate assumptions where the observable market is of a shorter duration than the liabilities. The CFO Forum requests that guidance is provided as part of level 2 implementing measures to ensure a harmonised approach.	
600.	FFSA	3.84.	CEIOPS states that the projection horizon used in the calculation of best estimate should cover the full lifetime of the contract. The determination of the lifetime should be based on realistic assumptions about when the contract will be discharged or canceled or expired. FFSA believes that the previous suggest that the projection should be carried until the extension of the contract under the so called "realistic assumptions". We believe that the previous is unrealistic and it would hugely increase the time of calculation without significantly affecting the result. Therefore, FFSA believes that it should be stated that if the projection horizon does not extend to the full lifetime of the contract, the undertaking should ensure that the use of a shorter projection horizon does not significantly affect the results.	See No 596
601.	German Insurance Association – Gesamtverband der D	3.84.	The proportionality principle should be used to determine the projection horizon CEIOPS states that the projection horizon used in the calculation of best estimate should cover the full lifetime of the contract. The determination of the lifetime should be based on realistic assumptions about when the contract will be discharged, cancelled	See No 596

			or expired and so the projection should be carried until the extension of the contract under the so called "realistic assumptions". We believe that the requirements of CEIOPS may be unrealistic and could result in an overly burdensome exercise with a limited impact on the results. The projection horizon should only cover the full lifetime of the insurance and reinsurance portfolio if this has a material effect on the underlying risk. ☐ We recommend that it should be stated that if the projection horizon does not extend to the full lifetime of the contract, the undertaking should ensure that the use of a shorter projection horizon does not significantly affect the results.	
602.	Groupe Consultatif	3.84.	"The projection horizon used in the calculation of best estimate should cover the full lifetime of the obligations due to the existing contracts on the date of the valuation." "The projection horizon used in the calculation of best estimate should ideally cover the full lifetime of the insurance and reinsurance portfolio of existing insurance and reinsurance contracts on the date of the valuation." We propose to rephrase this point "The projection horizon used in the calculation of best estimate should cover the full lifetime of all obligations on the date of the valuation." as in some kind of insurance contracts and some jurisdiction, the obligation can remain even after the end of the insurance contracts. See also 3.37.	See No 598
603.	Institut des actuaires (France)	3.84.	"The projection horizon used in the calculation of best estimate should cover the full lifetime of the obligations due to the existing contracts on the date of the valuation."	See No 598
604.	KPMG ELLP	3.84.	We agree.	Noted

605.	Legal & General Group	3.84.	A full lifetime projection for every line of business is disproportionate and should take into account the materiality of those long term cashflows. For example, stochastic with-profits modelling beyond 40 years until every policy gone would not produce a materially different answer to only modelling 40 years of cashflows, but would require a material investment in systems and time.	See No 596
606.	Lloyd's	3.84.	We agree.	See No 604
607.	Munich RE	3.84.	The projection horizon should only cover the full lifetime of the insurance and reinsurance portfolio if this has a material effect on the underlying risk (e.g. long-term annuity business). Materiality principle should be applied. Since there is a high sensitivity concerning the projection horizon at least for undertakings with long-term annuities and a linkage to risk free interest rate term structure and its calibration at the long end, we would suggest to either have the industry review this proposal in connection with the proposal for the risk free interest rate term structure (e.g. in QIS5)	See No 596
608.	PEARL GROUP LIMITED	3.84.	We believe the requirements of CEIOPS that the projection horizon used in the calculation of best estimate should cover the full lifetime of the contract may be unrealistic and could result in a very time consuming exercise with a limited impact on the results. The determination of the lifetime should be based on realistic assumptions about when the contract will be discharged, cancelled or expired and so the projection should be carried until the extension of the contract under the so called "realistic assumptions". The projection horizon should only cover the full lifetime of the insurance and reinsurance portfolio if this has a material effect on the underlying risk.	See No 596

609.	ROAM	3.84.	*Note SDD – there's nothing in the original document either*	
610.	AMICE	3.85.	CEIOPS states that the determination of the lifetime of the insurance and reinsurance portfolio shall be based on up-to-date and credible information and realistic assumptions about when the existing insurance and reinsurance contracts will be discharged or cancelled or expired. We suggest replacing the existing definition by the one used in QIS4: "The projection horizon used by participants should be long enough to capture all significant cash-flows arising from the contract or groups of contracts being valued. And if the projection horizon does not extend to the term of the last policy or claim payment, participants should ensure that the use of a shorter projection horizon does not significantly affect the results".	Not agreed Simplifications not part of this CP
611.	CEA, ECO-SLV-09-433	3.85.	This paragraph overlaps with the advice given in CP30 on contract boundaries. Therefore this paragraph should be dropped and instead a reference to CP30 should be given.	Noted
612.	German Insurance Association – Gesamtverband der D	3.85.	This paragraph overlaps with the advice given in CP30 on contract boundaries Therefore this paragraph should be dropped and instead a reference to CP30 should be given.	See No 611
613.	Groupe Consultatif	3.85.	The time horizon for future premiums should not be longer than the legal expiration. Vgl CP30 "The determination of the lifetime of the insurance and reinsurance portfolio shall be based on up-to-date and credible information and realistic assumptions about when the existing insurance and reinsurance contracts will be discharged or cancelled or expired.	Not agreed Proportionality not part of this CP

			The principles of materiality and proportionality should be taken into account.”	
614.	KPMG ELLP	3.85.	We agree.	Noted
615.	Lloyd’s	3.85.	We agree.	See No 615
616.	ROAM	3.85.	CEIOPS states that the determination of the lifetime of the insurance and reinsurance portfolio shall be based on up-to-date and credible information and realistic assumptions about when the existing insurance and reinsurance contracts will be discharged or cancelled or expired. We suggest to replace the existing definition by the one used in the QIS4: “The projection horizon used by participants should be long enough to capture all significant cash-flows arising from the contract or groups of contracts being valued. And if the projection horizon does not extend to the term of the last policy or claim payment, participants should ensure that the use of a shorter projection horizon does not significantly affect the results”	See No 610
617.	ACA – ASSOCIATION DES COMPAGNIES D’ASSURANCE S DU	3.86.	In life, the cash in-flows include future premiums (and maturity benefits, …) but not take into account investment returns. Please explain it.	Time value of cash-flow is taken into account using relevant risk-free term structure.
618.	AMICE	3.86.	More guidance is needed on the intended meaning in the sentence “cash flows should not take into account investment returns”. The approach selected should guarantee that investment returns are not doubled-counted.	See No 617
619.	Association of British	3.86.	Last sentence We would interpret this as meaning that firms would be allowed to	See No 617

	Insurers		take credit for investment returns up to the level of the risk free rate and that investment returns above that should be ignored. However, if this is not the case, then it is unclear how cashflows which depend on future investment returns (e.g. annual charges from unit-linked policies) should be allowed for.	
620.			Confidential comment deleted.	
621.	CEA, ECO-SLV-09-433	3.86.	We request confirmation that future investment returns should be taken into account in so far as they affect any of the other cash in- or out-flows. There may be need for clarification of the treatment of investment returns. We agree that investment returns should not be included as future cash in-flows, as under market consistent techniques, assets are allowed for at market value which implicitly takes account of the market's perception of future investment returns on those assets. However, the expected future benefits payments to policyholders, certain expenses and also other cash-flows may need to take account of expected future investment returns, if payments are linked to the interest earned on the assets backing the policyholder benefits.	See No 617
			With regards to the requirements for future premiums - we agree with the principle but we underline that it may be very complex for the companies to identify each contractual clause that would originate future premiums (and corresponding liabilities), this would be a specific issue for Non-Life business. Consequently we would suggest Ceiops allows simplified approaches.	Not agreed Simplifications are not part of this CP

			Gross cash in-flows should also include commission in-flows. The insurer may have commission agreements with a third party. E.g. the commission the insurer receives may depend on the amount of the units linked to the policies which the insurer has issued. Because acquisition and administration commission (3.89 and 3.95) out-flows should be included it would be very unbalanced if respective in-flows are not. It is very evident in case where the commission out-flow depends on the commission in-flow. In the case where the commission in-flow is a percentage of the administration charge of the mutual funds linked to the policies and the out-flow another percentage of the commission in-flow only out-flow cannot be included.	Non-exhaustive list
622.	CRO Forum	3.86.	Future Premiums: we agree with the principle but we underline that it may be very complex for the companies to identify each contractual clause that would originate the need of future premiums (and corresponding liabilities), mainly for Non-Life. Consequently we would suggest CEIOPS to allow entity specific simplified approaches We would interpret the last sentence: “the cash in-flows should not into account investment returns” as meaning that the cash in-flows should not take into account investment returns “related to the asset”. We would welcome clarification of this.	Noted See No 617
623.	European Union member firms of Deloitte Touche To	3.86.	It states that the cash-flows should not take into account investment returns. We believe that the time value of money should be taken into account and thus cash flows should be discounted with the risk free rate.	Agreed

624.	German Insurance Association – Gesamtverband der D	3.86.	We request confirmation that future investment returns should be taken into account in so far as they affect any of the other cash in- or out-flows. There may be need for clarification of the treatment of investment returns. We agree that investment returns should not be included as future cash in-flows, as under market consistent techniques, assets are allowed for at market value which implicitly takes account of the market's perception of future investment returns on those assets. However, the expected future benefits payments to policyholders, certain expenses and also other cash-flows may need to take account of expected future investment returns, if payments are linked to the interest earned on the assets backing the policyholder benefits.	See No 617
			With regards to the requirements for future premiums - we agree with the principle but we underline that it may be very complex for the companies to identify each contractual clause that would originate future premiums (and corresponding liabilities), this would be a specific issue for Non-Life business. Consequently we would suggest CEIOPS allows simplified approaches.	See No 621
			Gross cash in-flows should also include commission in-flows. The insurer may have commission agreements with a third party. E.g. the commission the insurer receives may depend on the amount of the units linked to the policies which the insurer has issued. Because acquisition and administration commission (3.89 and 3.95) out-flows should be included it would be very unbalanced if respective in-flows are not. It is very evident in case where the commission out-flow depends on the commission in-flow. In the case where the commission in-flow is a percentage of the administration charge of the mutual funds linked to the policies and the out-flow another percentage of the commission in-flow only	See No 621

			out-flow cannot be included.	
625.	Groupe Consultatif	3.86.	It states that the cash-flows should not take into account investment returns. For clarity, we believe that the time value of money should be taken into account and thus cash flows should be discounted with the risk free rate.	See No 623
626.	KPMG ELLP	3.86.	We agree, but note there could be a mismatch introduced for premiums against claims that have already happened being netted off against the premium provision.	Noted
627.	Lloyd's	3.86.	We agree, but note there could be a mismatch introduced for premiums against claims that have already happened being netted off against the premium provision.	See No 625
628.	PEARL GROUP LIMITED	3.86.	We interpret this sentence as meaning that the cash in-flows should not take into account investment returns related to the asset. We would welcome some clarification on this.	See No 617
629.	ROAM	3.86.	More guidance is needed on the intended meaning in the sentence "cash flows should not take into account investment returns". Approach selected should guarantee that investment returns are not double-counted.	See No 618
630.	Uniqa	3.86.	Considering unit linked business one has to allow for the interaction between management fees and kick-backs – in the case this	Not agreed Guidance not part of this CP

			business is not managed by the undertaking itself. In this case future cash flows are not only split between policyholder, undertaking and tax but there are also cash flows to the fund managing entity. In general the fund managing entity receives a management fee and returns a kick back to the undertaking. Therefore one has to consider the net cash flows to the fund managing entity as part of the technical provision. One solution is to concern kick-back under the cash in-flows and management fees under the cash out-flows. To receive clarity we appreciate to get some more guidance regarding the scope of cash flows in 3.86 to 3.89.	
631.	KPMG ELLP	3.87.	We agree.	Noted
632.	Lloyd's	3.87.	We agree.	See No 631
633.			Confidential comment deleted.	
634.	CRO Forum	3.88.	Benefit cash out-flows also include partial withdrawals.	Non-exhaustive list
635.	KPMG ELLP	3.88.	We agree.	See No 631
636.	Lloyd's	3.88.	We agree.	See No 631
637.	AMICE	3.89.	We agree that in determining the best estimate, the undertaking should take into account all expenses that will be "incurred in servicing the obligations". This should not include any expenses, costs or other items related to new business. However, AMICE members point out that investment management expenses are not usually included in the technical provisions calculation (see our comments to 3.44).	Noted
638.	Association of British Insurers	3.89.	Whilst it is appropriate to allow for future acquisition expenses from existing business any costs already incurred and either paid or subject to an accounting provision should not be included again.	Noted
639.	CEA,	3.89.	Only future expenses related to the existing portfolio should be	Agreed

	ECO-SLV-09-433		included in the calculation of the best estimate. It is appropriate to allow for future acquisition expenses related to existing business, e.g. trail commission, but not acquisition expenses and commission already incurred as these costs will not be incurred again. ☐ We recommend that the wording is made clearer by amending the final bullet point to "any acquisition expenses including commission expected to be incurred in the future". ☐ We recommend additionally that the clarification is given that: "acquisition expenses should be limited to those related to the future premiums linked to existing contracts".	See revised text
640.	European Insurance CFO Forum	3.89.	Although we note that the list is not exhaustive, we believe that expense assumptions should also allow for foreseeable development and regulatory costs.	Noted
641.	FFSA	3.89.	CEIOPS says that the undertaking should include acquisition expenses including commissions in determining the best estimate. In order to avoid misunderstanding, FFSA suggests that CEIOPS adds the following comment: acquisition expenses should be limited to future premiums linked to existing contracts. This would reinforce consistency with paragraph 3.97.	See No 639
642.	KPMG ELLP	3.89.	We agree and want to emphasise that allowance for expenses should be restricted to all future cash flows and need not include all expenses	Not agreed In run-off of the undertaking all expenses should be included
643.	Lloyd's	3.89.	We agree and want to emphasise that allowance for expenses should be restricted to all future cash flows and need not include all expenses	See No 642
644.	Munich RE	3.89.	Should "investment management expenses" be included, when investment returns have to be excluded? (cf. 3.40)	Yes it should be included

645.	ROAM	3.89.	ROAM think that the Best Estimate should not include any expenses, costs or other items related to new business. See also 3.43	Agreed See revised text
646.	CEA, ECO-SLV-09-433	3.90.	Allocated expenses do not just have to relate to claims payments only. ☐ We request that the text is adjusted as follows: "Allocated expenses are directly assignable to individual policies, claims or transactions."	Agreed See revised text
647.	CRO Forum	3.90.	This concludes that all expenses should be included and allocated to the relevant lines of business, homogeneous risk groups or any other segment. This can combine advice 3.90-3.92	Noted
648.	European Insurance CFO Forum	3.90.	The CFO Forum supports the recommendation of the allocation of companies' own estimated overheads. CP39 recommends the allocation of companies' own estimated overheads. The CFO Forum supports this approach to estimating the expense component of the technical provisions. Expenses may not only be assigned to claims. The CFO Forum recommends the following amendment in the wording: "Allocated expenses are directly assignable to individual claims, policies or transactions. ...."	See No 646
649.	KPMG ELLP	3.90.	We agree.	Noted
650.	Lloyd's	3.90.	We agree.	See No 649
651.	Association of Friendly Societies	3.91.	We believe the estimation of attributable expenses will require judgement as these matters are never clear cut.	Noted
652.	European Insurance CFO	3.91.	Comments in 3.90 are also relevant here.	

	Forum			
653.	Groupe Consultatif	3.91.	We believe the estimation of attributable expenses will require judgement as these matters are never clear cut.	See No 651
654.	Investment & Life Assurance Group (ILAG)	3.91.	We believe the estimation of attributable expenses will require judgement as these matters are never clear cut.	See No 651
655.	KPMG ELLP	3.91.	We agree and welcome the recognition of expert judgement.	Noted
656.	Legal & General Group	3.91.	We agree that expense allocation should be allocated according to professional judgement	See No 655
657.	Lloyd's	3.91.	We agree and welcome the recognition of expert judgement.	See No 655
658.	Lucida plc	3.91.	We agree with the approach suggested towards unallocated expenses. This comment also applies to 3.92 and 3.93	See No 655
659.	OAC Actuaries and Consultants	3.91.	We believe the estimation of attributable expenses will require judgement as these matters are never clear cut.	See No 651
660.	CRO Forum	3.92.	Allocation of expenses is not necessarily done on an economic basis. Reference to 'following realistic and objective principles' is sufficient.	Not agreed Allocation should be done on economic basis to get best estimate
661.	European Insurance CFO Forum	3.92.	Comments in 3.90 are also relevant here.	
662.	KPMG ELLP	3.92.	We agree.	Noted
663.	Lloyd's	3.92.	We agree.	See No 662
664.	AMICE	3.93.	The predefined split of expenses which can not be directly allocated should be primarily allocated based on marketing management practices and not only on risk management considerations.	Not agreed If new split better fit the current

			We therefore suggest the following redrafting proposal: “The predefined split of expenses which can not be directly allocated should only be changed if the new split would better fit the current situation and provide the same quality of information.”	situation than it would provide better quality of information and those more accurate best estimate
665.	European Insurance CFO Forum	3.93.	Comments in 3.90 are also relevant here.	
666.	KPMG ELLP	3.93.	We agree.	Noted
667.	Lloyd’s	3.93.	We agree.	See No 666
668.	ROAM	3.93.	The predefined split of expenses which could not be directly allocated should be primarily allocated based on marketing management practices and not only on risk management considerations. We suggest therefore the following redrafting proposal: “The predefined split of expenses which could not be directly allocated should only be changed if the new split will better fit the current situation provide the same quality of information.”	See No 664
669.	Association of Friendly Societies	3.94.	We would suggest that expenses need to be allocated to claims provisions in life assurance as well as non life assurance. This is especially true of long term health insurance claims or claims involving extensive underwriting.	Not agreed For life insurance the expenses are allocated to mathematical provisions
670.	CEA, ECO-SLV-09-433	3.94.	The requirement to split expenses between premium and claim provisions is not necessarily common practice. We recommend that Ceiops removes this requirement.	Agreed See revised text
671.	Dutch Actuarial Society –	3.94.	See comment on 3.47; Split between premium and claims should not always be required.	Agreed See revised text

	Actuarieel Genootschap (			
672.	European Union member firms of Deloitte Touche To	3.94.	We agree with this in these cases where premium provisions and claims provisions are valued separately.	Agreed See revised text
673.	German Insurance Association – Gesamtverband der D	3.94.	The requirement to split expenses between premium and claim provisions is not necessarily common practice, may be burdensome and not meaningful. We recommend that CEIOPS removes this requirement.	See No 670
674.	Groupe Consultatif	3.94.	We agree with this in these cases where premium provisions and claims provisions are valuated separately. We would suggest that expenses need to be allocated to claims provisions in life assurance as well as non life assurance. This is especially true of long term health insurance claims or claims involving extensive underwriting.	See No 669
675.	Investment & Life Assurance Group (ILAG)	3.94.	We would suggest that expenses need to be allocated to claims provisions in life assurance as well as non life assurance. This is especially true of long term health insurance claims or claims involving extensive underwriting.	See No 669
676.	KPMG ELLP	3.94.	We agree and note this will involve expert judgement.	Noted
677.	Lloyd's	3.94.	We agree and note this will involve expert judgement.	See No 676
678.	OAC Actuaries and Consultants	3.94.	We would suggest that expenses need to be allocated to claims provisions in life assurance as well as non life assurance. This is especially true of long term health insurance claims or claims involving extensive underwriting.	See No 669

679.	RBS Insurance	3.94.	Provided all expenses are captured and this can be demonstrated we are not sure why it is necessary to document the rationale for attributing them to premium and claims provisions?	Agreed See revised text
680.	Dutch Actuarial Society – Actuarieel Genootschap (	3.95.	This statement is also coverd by the principle that "all relevant costs must be projected towards the future in the most realistic way". We would recommend a more principle based approach on this point.	Agreed See revised text
681.	KPMG ELLP	3.95.	We do not think this should be prescriptive. Para 3.38 uses the phrase "could", which we agree with. Para 3.95 introduces "should" which we feel is unnecessary.	Agreed See revised text
682.	Lloyd's	3.95.	We do not think this should be prescriptive. Para 3.38 uses the phrase "could", which we agree with. Para 3.95 introduces "should" which we feel is unnecessary.	See No 681
683.	Dutch Actuarial Society – Actuarieel Genootschap (	3.96.	This statement is also coverd by the principle that "all relevant costs must be projected towards the future in the most realistic way". We would recommend a more principle based approach on this point.	Agreed See revised text
684.	KPMG ELLP	3.96.	We do not think this should be prescriptive. Para 3.39 uses the phrase "could", which we agree with. Para 3.96 introduces "should" which we feel is unnecessary.	Agreed See revised text
685.	Lloyd's	3.96.	We do not think this should be prescriptive. Para 3.39 uses the phrase "could", which we agree with. Para 3.96 introduces "should" which we feel is unnecessary.	See No 684
686.	Association of British Insurers	3.97.	We request that the text clarifies that the future premiums under consideration are those related to existing business only.	Agreed See revised text
687.	CEA,	3.97.	We request that the text clarifies that the future premiums under	See No 686

	ECO-SLV-09-433		consideration are those related to existing business only.	
688.	FFSA	3.97.	CEIOPS seems to say that undertaking can take account or not of future premiums in the valuation of best estimate. FFSA understands that there is no choice, reading the CP 30 about future premium and paragraph 3.113 of this CP and that in order to avoid misunderstanding, it should be added that the future premiums to be taken into account are those related to existing business. Please refer to previous FFSA and industry answers on CP30 on how to define the scope of future premiums on existing business.	See No 686
689.	German Insurance Association – Gesamtverband der D	3.97.	We request that the text clarifies that the future premiums under consideration are those related to existing business only.	See No 686
690.	KPMG ELLP	3.97.	We agree with the first sentence. The second sentence implies there are some circumstances under which future premiums may be excluded from the valuation of the best estimate. However, CP30 does not seem to allow scope for such exclusions.	Agreed See revised text
691.	Lloyd's	3.97.	We agree with the first sentence. The second sentence implies there are some circumstances under which future premiums may be excluded from the valuation of the best estimate. However, CP30 does not seem to allow scope for such exclusions.	See No 690
692.	CEA, ECO-SLV-09-433	3.98.	Under an economic approach, expected future cost decreases should also be taken into account. Ceiops propose that "expense assumptions should include an allowance for the expected future cost increase". ☐ In order to be in line with an economic approach, the best	Not agreed In normal financial situations cost are only increasing.

			estimate should also include an allowance for the expected future cost decrease. Both expected increases and decreases should be subject to appropriate justification. Please see also comments to Para 3.102.	
693.	European Insurance CFO Forum	3.98.	Comments in 3.51 and 3.100 are also relevant here.	
694.	FFSA	3.98.	CEIOPS propose that "expense assumptions should include an allowance for the expected future cost increase". FFSA believes that, in that case, to be economical as the best estimate should be, it should also include an allowance for the expected future cost decrease.	See No 692
695.	German Insurance Association – Gesamtverband der D	3.98.	Under an economic approach, expected future cost decreases should also be taken into account. Proposal: ☐ In order to be in line with an economic approach, the best estimate should also include an allowance for the expected future cost decrease. See also comments to Para 3.102.	See No 692
696.	KPMG ELLP	3.98.	We agree, however, market data on expenses is unlikely to be suitable in most cases.	Noted
697.	Lloyd's	3.98.	We agree. However market data on expenses is unlikely to be suitable in most cases.	See No 696
698.	RBS Insurance	3.98.	Typo "Undertakings"	Agreed See revised text
699.	ROAM	3.98.	CEIOPS propose that "expense assumptions should include an allowance for the expected future cost increase". ROAM believes that, in that case, to be in line with economic	See No 692

			reality, it should also include an allowance for the expected future cost decrease.	
700.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.99.	Assumptions in projections and allocation of expenses can distort results heavily. We would argue for freedom being left to each company to chose and appropriately justify the chosen expense projection being used, either run-off or going concern. A) The running-off approach of expenses needs clarification. From the text, it is not clear if projections have to take into account expenses linked to new production. For consistency and coherence, we suggest that in running-off valuations, undertakings are allowed to take new production expenses out of the projections. For example, the overheads linked to marketing should not be considered. Additionally it is odd to neglect that the reduction of the number of policies to be managed have no impact on expenses.	Noted
701.	AMICE	3.99.	CEIOPS defines the following options for the assessment of future expenses: a) Undertakings should take into account all the expenses that would be incurred in running-off the existing business, if no new policies were written, including the relevant overhead expenses; or b) Undertakings should take into account all the expenses that are directly related to the ongoing administration and management of each policy, together with a share of the relevant overhead expenses. This share should be assessed on the basis that the undertaking continues to write further new business unless a decision has been made to cease writing further business We are in favour of Option B since it is more in line with the	Noted

			transfer principle in an ongoing concern.	
702.	Association of British Insurers	3.99.	See comments under 3.101	
703.	Association of Friendly Societies	3.99.	Again, we believe this whole paragraph to be changed to have the expenses built on the credible business plan of the undertaking – see the other comments on this topic.	Not agreed Expenses could not be built on business plan.
704.	CEA, ECO-SLV-09-433	3.99.	The Solvency II balance sheet should be calculated on a going-concern basis. For this reason, ongoing assumptions (option B) rather than run-off assumptions (option A) should be the default option for the assessment of future expenses. However, firms which are in run-off, or for which an imminent closure is expected, should use run-off assumptions. We agree with Ceiops' suggested option B which considers that the best estimate should reflect expenses which are linked to the management of the related business and as supported by Ceiops in Para 3.100, this option is consistent with the transfer of the portfolio on a going-concern basis and is in line with economic principles. In order to ensure market consistency, it is sensible to require expenses to be calculated consistently with the way the business is run, i.e. if the business is run on a going concern than it would be more appropriate to calculate expenses on a going concern too as this is in line with a best estimate basis. For clarification we should set-out that we would expect that the going-concern assumptions would require a projection of per policy expenses for existing business only in order to calculate the best estimate, and not require an inclusion of reserves for per policy expenses for new business as well. However, the split of the over-head expenses assigned to each policy would assume that the	Noted

			insurer continues to write new business as if it were a going-concern. Obviously, in the case that the insurer is already closed to new business and does not plan to re-open to new business, run-off assumptions should be used and similarly in the case of an imminent closure. In these cases the level of expenses relating to new policies should be close or equal to zero anyway. We are very concerned with the factoring-in of additional layers of prudence. Ceiops' proposals for both the risk margin (as per CP42) and the technical provisions to be calculated on a run-off basis are excessively prudent and the duplications of margins would be expected. ☐ In order to avoid inconsistency between applications by regulators, Option B (ongoing assumptions) only should be retained.	
705.	DIMA (Dublin International Insurance & Management	3.99.	We believe that option B is the most suitable option for the assessment of future expenses.	Noted
706.	European Insurance CFO Forum	3.99.	The CFO Forum recommends that the order of paragraphs a) and b) is reversed and it is made clear that the current option a) is applicable only to entities already in run-off. For the purposes of Solvency II a going concern basis should always be assumed unless and entity is already in run-off, hence the current option b) should normally apply. Comments in 3.100 are also relevant here.	Noted
707.	European Union member firms of Deloitte	3.99.	We agree with the going concern assumption for the valuation of expenses.	Noted

	Touche To			
708.	FFSA	3.99.	CEIOPS outlined two possible options in connection with the assessment of future expenses : FFSA thinks that CEIOPS' suggested option b): (best estimate should reflect expenses which are linked to the management of the related business) is consistent with a going concern basis and should be the only basis of calculation for all undertakings. Therefore FFSA rejects option a)	Noted
709.			Confidential comment deleted.	
710.	German Insurance Association – Gesamtverband der D	3.99.	Ongoing assumptions (option b) rather than run-off assumptions (option a) should be the default option for the assessment of future expenses. However, firms which are in run-off, or for which an imminent closure is expected, should use run-off assumptions. This option is consistent with the transfer of the portfolio on a going-concern basis and is in line with economic principles. For clarification we should set-out that we would expect that the going-concern assumptions would require a projection of per policy expenses for existing business only in order to calculate the best estimate, and not require an inclusion of reserves for per policy expenses for new business as well. However, the split of the over-head expenses assigned to each policy would assume that the insurer continues to write new business as if it were a going-concern. Obviously, in the case that the insurer is already closed to new business and does not plan to re-open to new business, run-off assumptions should be used and similarly in the case of an imminent closure. In these cases the level of expenses relating to new policies should be close or equal to zero anyway. It would be overly prudent to require both the risk margin (as per CP42) and the technical provisions to be calculated on a run-off	Noted

			basis. Duplications of margins would be expected.	
711.	Groupe Consultatif	3.99.	We agree with the going concern assumption for the valuation of expenses. Again, we believe this whole paragraph to be changed to have the expenses built on the credible business plan of the undertaking – see the other comments on this topic.	See No 703
712.	International Underwriting Association of London	3.99.	In line with our comment regarding Para 3.54, we support option b.) that future expenses are treated as a going concern, unless a company is about to enter, or is in run-off.	Noted
713.	Investment & Life Assurance Group (ILAG)	3.99.	Again, we believe this whole paragraph to be changed to have the expenses built on the credible business plan of the undertaking – see the other comments on this topic.	See No 703
714.	Munich RE	3.99.	We support option b) for the reasons given in the CEIOPS' advice. From our point of view this is in line with the level 1 text (Article 76 (2)) that the "cash-flow projection used in the calculation of the best estimate shall take account of all the cash in- and out-flows required to settle the insurance and reinsurance obligations over the lifetime thereof", and the „calculation of the best estimate shall be based upon [...] realistic assumptions".	Noted
715.	OAC Actuaries and Consultants	3.99.	Again, we believe this whole paragraph to be changed to have the expenses built on the credible business plan of the undertaking – see the other comments on this topic.	See No 703
716.	ROAM	3.99.	CEIOPS outlined two possible options in connection with the assessment of future expenses : ROAM thinks that CEIOPS' suggested option b is consistent with a going concern basis and should be the only basis of calculation for all undertakings.	Noted

717.	AAS BALTA	3.100.	We agree with CEIOPS that option (b) is more consistent with the concept of the transfer of the portfolio.	Noted
718.	AB Lietuvos draudimas	3.100.	We agree with CEIOPS that option (b) is more consistent with the concept of the transfer of the portfolio.	Noted
719.	AMICE	3.100.	We agree with CEIOPS' statement.	Noted
720.	Association of Run-Off Companies	3.100.	This paragraph does not recognise the fact that some companies may already have "closed" – i.e. be in run-off. We suggest adding "…or the company is already in run-off" after "…the risk of closure is imminent". Furthermore, the wording should be amended to make it clear that option a) applies for companies in run-off (assuming this is what CEOIPS thinks).	Noted
721.			Confidential comment deleted.	
722.	Bupa	3.100.	We agree with CEIOPS. This is important to our group since our health insurance liabilities are so short term in nature, but where renewals and new business are very stable. Having to provide for all administrative costs on a run-off basis would inflate our provisions. Conceptually a run-off basis seems at odds with basis of the SCR in Article 101.	Noted
723.	CEA, ECO-SLV-09-433	3.100.	See comments to Para 3.99.	
724.	DENMARK Codan Forsikring A/S (10529638)	3.100.	We agree with CEIOPS that option (b) is more consistent with the concept of the transfer of the portfolio.	Noted
725.	Dutch Actuarial Society –	3.100.	We favor option (b); the "going concern" approach on future expenses.	Noted

	Actuarieel Genootschap (			
726.	European Insurance CFO Forum	3.100.	Technical provisions should be calculated on a going concern basis. The CFO Forum believes that the decision to use a going concern or run-off basis is a decision not just for expenses but applies to other assumptions. The going concern basis applies both before and after significant financial shocks since the acquirer in the transfer concept would be a going concern. The CFO Forum considers that since the Solvency II measurement basis is to transfer liabilities to another entity that a going concern basis is most appropriate. Comments in 3.55 are also relevant here.	Noted
727.	European Union member firms of Deloitte Touche To	3.100.	We note the difficulty in aligning with accounting principles that do not yet exist consistently across Europe. Further there might be an inconsistency with the calculations of the risk margin in CP42 (portfolio transfer to an empty undertaking). We would also like to refer to our remarks in CP42 regarding the Risk Margin.	Noted
728.	FFSA	3.100.	FFSA thinks that option a) should be removed. In the case of an imminent closure, the level of expenses relating to new policies should be close to zero anyway.	Noted
729.	German Insurance Association – Gesamtverband der D	3.100.	See comments to Para 3.99.	
730.	Groupama	3.100.	We agree with CEIOPS. Expenses should be considered in an on going concern way.	Noted
731.	Groupe Consultatif	3.100.	Concerning the option b) pointed out in paragraph (3.99.), we share the same view expressed by the CEIOPS in paragraphs	Noted

			(3.55.) and (3.56.) The provisions should reflect a best estimate of the current situation, meaning run-off if portfolio under run-off, otherwise going-concern. We note the difficulty in aligning with accounting principles that do not yet exist consistently across Europe. Further there might be an inconsistency with the calculations of the risk margin in CP42. We would also like to refer to our remarks in CP42 regarding the Risk Margin. Concerning the option b) pointed out in paragraph (3.99.), we share the same view expressed by the CEIOPS in paragraphs (3.55.) and (3.56.)	
732.	Institut des actuaires (France)	3.100.	Concerning the option b) pointed out in paragraph (3.99.), we share the same view expressed by the CEIOPS in paragraphs (3.55.) and (3.56.)	Noted
733.	KPMG ELLP	3.100.	We agree that option b) (ongoing basis unless not actively underwriting) is the approach most consistent with Solvency II.	Noted
734.	Link4 Towarzystwo Ubezpieczeń SA	3.100.	We agree with CEIOPS that option (b) is more consistent with the concept of the transfer of the portfolio.	Noted
735.	Lloyd's	3.100.	We agree that option b) (ongoing basis unless not actively underwriting) is the approach most consistent with Solvency II.	Noted
736.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.100.	We agree with CEIOPS that option (b) is more consistent with the concept of the transfer of the portfolio.	Noted

737.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.100.	We agree with CEIOPS that option (b) is more consistent with the concept of the transfer of the portfolio.	Noted
738.	RBS Insurance	3.100.	We believe approach b) is the better option unless there is a significant risk of closure of the firm. This is the more realistic approach, and we believe it would be overly prudent to allow for additional run-off costs within the technical provisions.	Noted
739.	ROAM	3.100.	We agree with CEIOPS statement.	Noted
740.	RSA Insurance Group PLC	3.100.	We agree with CEIOPS that option (b) is more consistent with the concept of the transfer of the portfolio.	Noted
741.	RSA Insurance Ireland Ltd	3.100.	We agree with CEIOPS that option (b) is more consistent with the concept of the transfer of the portfolio.	Noted
742.	RSA - Sun Insurance Office Ltd.	3.100.	We agree with CEIOPS that option (b) is more consistent with the concept of the transfer of the portfolio.	Noted
743.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.100.	We agree with CEIOPS that option (b) is more consistent with the concept of the transfer of the portfolio.	Noted
744.	AAS BALTA	3.101.	As stated earlier we believe that the going concern basis more correctly meets the requirements of the Directive. The risk specified should be dealt with by the SCR.	Noted
745.	AB Lietuvos draudimas	3.101.	As stated earlier we believe that the going concern basis more correctly meets the requirements of the Directive. The risk specified should be dealt with by the SCR.	Noted

746.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCE S DU	3.101.	If we are going into run-off, it is true that the expenses are higher because of one-off costs or maintenance costs, which cannot anymore be divided over a great number of contracts. But on the other hand, several costs will decrease (gradual redundancy of workers). For this reason and because it is more logical with the concept of current transfer value, we are in favour of the "ongoing" basis. It appears that there are a number of different ways to avoid this phenomenon available to companies: change in the management of its risks (sourcing, underwriting, claim management), change its cost structure. There is a risk that some ill-intentioned companies (under pressure from management) review their projections, parameters (inflation, discount rate regulation) and "correcting" the model in order to decrease technical provisions "run off" below the technical provisions "going concern".	Noted
747.	AMICE	3.101.	CEIOPS requests feedback from participants on how to treat the differences between the valuation of liabilities under the assumption of continuity of operations (i.e on-going concern basis) and the evaluation in the event of liquidation (i.e run-off basis): Firstly, AMICE members believe that CEIOPS should focus exclusively on assuming continuity of operations when assessing the best estimate of technical provisions since the run-off concept does not generally produce market consistent liability values (except in cases of emergency where the company manages the portfolio in run-off). Secondly, reflecting run-off assumptions in the evaluation of the best estimate of technical provisions would create uncertainty in the assessment (e.g. the probability that the company finally decides to liquidate the portfolio is a priori very difficult to estimate).	Noted

			Thirdly, the run-off assumption could be reflected in the calculation of the capital requirements (see CP46). Finally, liabilities are generally valued following the assumption of continuity of operations; Adjusting such an assessment to reflect any difference with a run-off value would create an inconsistency between the accounting and the prudential valuation.	
748.	Association of British Insurers	3.101.	Also covers 3.102 In accordance with the Level 1 text and to align with market consistency, it would be more sensible to require expenses to be calculated consistently with the way the business is run, i.e. if the business is run on a going concern than it would be more appropriate to calculate expenses as a going concern too. The risk margin is in any event intended to provide a sufficient reserve to maintain the required SCR until run-off. The run-off basis should only be used if that is how the company is being run.	Noted
749.	Association of Friendly Societies	3.101.	We suggest that CEIOPS has created a problem here where none exists in reality. The reserve should be based on the credible business plan of the undertaking. Closure is only one extreme of a variety of business plan options open to all undertakings which may affect the firm adversely including a large increase in marketing budgets to expand the business in force. It would appear strange for just one to be considered.	Noted
750.	Association of Run-Off Companies	3.101.	See comment on 3.100 for companies in run-off.	
751.			Confidential comment deleted.	Noted
752.	Bupa	3.101.	A run-off basis should not be used unless a firm has breached its SCR and cannot manage to find a path to viability. When - and only when - such an event happens, it should trigger a	Noted

			valuation (or at least an ear-marking of own funds) consistent with costs through wind up, so as to help protect policyholders of a firm that is descending into that part of the ladder of supervision.	
753.	CEA, ECO-SLV-09-433	3.101.	The risk that "run-off" is more onerous than "going concern" is already addressed in the SCR. Under Solvency II, technical provisions should represent current transfer values, with the SCR providing capital to protect against the risk that this amount is insufficient to settle the liabilities in adverse circumstances. In line with this, the CEA believes that the risk that technical provisions on a "run-off" basis are higher than those on an "ongoing" basis is already captured in the SCR. The SCR already makes explicit allowance for higher than expected expenses in the Life SCR expense risk module, which requires companies to assume both a one-off increase in expenses and higher ongoing expenses and so would seem to capture this. For Non-life business, although expense risk is not explicitly calculated, it is implicit in the overall reserve risk capital charge. The Best Estimate should not reflect the impact of stopping the business - it should be calculated on a realistic best estimate basis.	Noted
754.	CRO Forum	3.101.	"How to manage the risk that TPs on a run-off basis may be greater than for going concern?" We believe that such risk should not be considered. Allowing for risk of increase in expenses linked to risk of "run-off" would result in an excess of prudentiality and potential risks double-counting within the standard formula.	Noted
755.	Danish Insurance Association	3.101.	The directive stipulates the use of the going concern principle. CEIOPS should acknowledge and accept that as the basis for their advices.	Noted
756.	DENMARK	3.101.	As stated earlier we believe that the going concern basis more	Noted

	Codan Forsikring A/S (10529638)		correctly meets the requirements of the Directive. The risk specified should be dealt with by the SCR.	
757.	Dutch Actuarial Society – Actuarieel Genootschap (	3.101.	We support the opinion of GC, also supporting option (b), combined with future management actions to reduce costs and scenario analysis. A scenario could for example be a closure to New Business.	Noted
758.	European Insurance CFO Forum	3.101.	Under Solvency II, technical provisions should always be estimated on a going concern basis so any other basis is irrelevant. Under the Solvency II framework, technical provisions should equal the amount a company has to pay to transfer all obligation to a third party and this is done on a going concern basis. Whether on a going concern basis or on a wind-up basis will result in changes to many assumptions used in the valuation of the best estimate, not just those associated with expenses. It is important that the going concern basis is applied consistently to all assumptions.	Noted
759.	European Union member firms of Deloitte Touche To	3.101.	We believe that for the valuation of expenses it should be allowed to use the going concern assumption (assuming all other lines of business within the insurance company will continue) if this is actually the situation of the undertaking. However, to be sufficiently reserved in this situation, this would actually require that the undertaking will continue the business in his other lines of business or, if this is not the case, he has decided to sell the run-off portfolio to another undertaking (assuming this other insurer is willing to buy for the portfolio with expenses being valued on a going-concern basis). In case the management of the undertaking is not planning to continue the business in other LoBs and also has not planned to sell	Noted

			the run-off portfolio, we believe that the valuation of the expense provision should be based on this management decision and thus would require that assumptions to actually reduce the size of the undertaking in future years are included in the valuation of the expense provision. In our opinion the valuation of expenses should therefore be based on taking into account the future management actions (i.e. going concern of the undertaking or actually reducing the size of the company and/or selling the specific portfolio.) See also our remarks in CP42. In addition to the Best Estimate valuation the undertaking could perform scenario analyses (what if scenarios) to analyse the potential risk of underestimating the expense provisions in case of a run off situation. Such scenarios might be relevant to be tested as part of the ORSA.	
760.	FFSA	3.101.	FFSA believes that "the risk that technical provisions calculated on a "run-off basis" may be greater than technical provisions calculated on a "going concern" basis" should be ignored by undertakings. FFSA thinks that only expenses which are linked to the management of the related business shall be retained. Those, in case of an imminent run-off, would anyway be equal to total expenses. Allowing for risk of increase in expenses linked to risk of "run-off" would result in an excess of prudency and in risks of potential double-counting within the standard formula.	Noted
761.			Confidential comment deleted.	
762.	German Insurance Association – Gesamtverband der D	3.101.	*Note SDD – there's nothing in the original document either*	

763.	Groupe Consultatif	3.101.	To our opinion the valuation of expenses should therefore be based on taking into account the future management actions (i.e. going concern of the undertaking or actually reducing the size of the company and/or selling the specific portfolio.) See also our remarks in CP42. In addition to the Best Estimate valuation the undertaking could perform scenario analyses (what if scenarios) to analyse the potential risk of underestimating the expense provisions in case of a run off situation. Such scenarios might be relevant to be tested as part of the ORSA. The calculation approach is dependent on the situation of the undertaking. The starting point is that the situation of the undertaking has to be valuated adequately. The "going-concern-basis" is therefore the normal basis. But if the situation of the undertaking changes, the valuation method of the undertaking has to consider this. If the undertakings' new business decreases, or if portfolios are going to be closed, the "run-off" basis has to be considered. We suggest that CEIOPS has created a problem here where none exists in reality. The reserve should be based on the credible business plan of the undertaking. Closure is only one extreme of a variety of business plan options open to all undertakings which may affect the firm adversely including a large increase in marketing budgets to expand the business in force. It would appear strange for just one to be considered.	Noted
764.	Institut des actuaires (France)	3.101.	The notion of risk management should be made more accurate (for instance, investment assumptions in the case of a "run-off", etc).	Noted
765.	Investment & Life Assurance	3.101.	We suggest that CEIOPS has created a problem here where none exists in reality. The reserve should be based on the credible	Noted

	Group (ILAG)		business plan of the undertaking. Closure is only one extreme of a variety of business plan options open to all undertakings which may affect the firm adversely including a large increase in marketing budgets to expand the business in force. It would appear strange for just one to be considered.	
766.	Ireland's Solvency 2 Group, excluding representa	3.101.	It is quite possible that technical provisions calculated on a run-off basis will be higher than those calculated on a going concern basis. This can be an important practical consideration where the undertaking lacks scale, potentially making it uneconomic for another undertaking to take over the portfolio in the event of a closure to new business. A similar position can occur where the undertaking's product range is unusual and would not easily fit into the portfolio of another undertaking. We agree that option (b) (going concern assumption) should be the normal approach, but insurers should also calculate the additional amounts (if any) that would be required if the undertaking were to close to new business and be forced to run off the current portfolio. In ascertaining whether it would be necessary to establish additional technical provisions for the difference, however, the undertaking should be allowed to offset the capital requirements that would effectively be redundant in the event of closure to new business	Noted
767.	Just Retirement Limited	3.101.	The basis of calculation of the technical provisions should be consistent with the entity's best estimate of its future status, ie for entities which consider themselves to be in runoff, a "runoff" basis will be appropriate; for other entities a "going concern" basis will be appropriate. Defaulting to a "going concern" basis could also be justified on the basis of the Article 75 requirement that technical provisions be based on the amount needing to be paid to another entity to take on the liabilities – the implicit assumption being that the other entity would be a "going concern". The definition could be linked to accounting definitions of "going concern", although caution needs to be exercised as the precise	Noted

			definition of "going concern" is unlikely to be the same. In our view, the costs of closing to new business are likely to be adequately covered by reduced overhead costs, and cost synergies with the third party insurer to which the liabilities are (notionally) transferred.	
768.	KPMG ELLP	3.101.	The valuation basis must be as a going concern. The undertaking only need consider any potential increase in provisions if they are expecting to cease underwriting, in which case they should change to a run off basis. This is no different to current practice.	Noted
769.	Legal & General Group	3.101.	The technical provisions should be based on the strategy and plans for the undertaking. Allowances for the risk of going into run-off or any other significant business risk should not be included as part of best estimate technical provisions but should be taken into account in the SCR.	Noted
770.	Link4 Towarzystwo Ubezpieczeń SA	3.101.	As stated earlier we believe that the going concern basis more correctly meets the requirements of the Directive. The risk specified should be dealt with by the SCR.	Noted
771.	Lloyd's	3.101.	The valuation basis must be as a going concern. The undertaking only need consider any potential increase in provisions if they are expecting to cease underwriting, in which case they should change to a run off basis. This is no different to current practice.	Noted
772.	Lucida plc	3.101.	We feel that undertakings should assess the technical provisions on both a going-concern and a run-off basis and hold at least sufficient capital to write another year's new business followed by closure.	Noted
773.	Milliman	3.101.	A "going concern" undertaking moving to "run-off" may require higher technical provisions (e.g. higher expenses provisions) than they otherwise would. This risk is one of many operational risks that every entity carries.	Noted

774.	Munich RE	3.101.	This risk could be reflected in the regulatory solvency capital.	Noted
775.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.101.	As stated earlier we believe that the going concern basis more correctly meets the requirements of the Directive. The risk specified should be dealt with by the SCR.	Noted
776.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.101.	As stated earlier we believe that the going concern basis more correctly meets the requirements of the Directive. The risk specified should be dealt with by the SCR.	Noted
777.	OAC Actuaries and Consultants	3.101.	We suggest that CEIOPS has created a problem here where none exists in reality. The reserve should be based on the credible business plan of the undertaking. Closure is only one extreme of a variety of business plan options open to all undertakings which may affect the firm adversely including a large increase in marketing budgets to expand the business in force. It would appear strange for just one to be considered.	Noted
778.	Pacific Life Re	3.101.	We would support the view that option (b) in 3.99 is the appropriate approach for the assessment of future expenses. This "going concern" approach is consistent with the concept of a transfer of the portfolio to another undertaking. We would consider this debate in conjunction with the need to hold a risk margin, predicated on the transfer to another undertaking. It would not be consistent to force insurers to calculate expenses on a "run-off" basis and, at the same time, require them to hold the risk margin.	Noted
779.	PEARL GROUP	3.101.	We believe the option to choose between a going concern basis and	Noted

	LIMITED		a run off basis should be up to each firm to decide themselves, provided they demonstrate that they have taken into consideration the risks related to the choice of either of these options. Furthermore, it could be overly prudent to require both the risk margin and the technical provisions to be calculated on a run off basis. This is not a trivial exercise to perform and it might lead to certain duplications. Finally, in order to ensure market consistency, it would be more sensible to require expenses to be calculated consistently with the way the business is run, i.e. if the business is run on a going concern than it would be more appropriate to calculate expenses on a going concern too.	
780.	PricewaterhouseCoopers LLP	3.101.	See comments under 3.55	
781.	PricewaterhouseCoopers LLP	3.101.	See comments under 3.55	
782.	RBS Insurance	3.101.	We believe expenses included within the technical provisions should be on an ongoing basis, subject to the caveat outlined above. However, we believe undertakings should have a documented plan for how a "run-off" would be managed in practice and that the financial impact of additional run-off costs should be picked up in the capital calculation as it is the risk of going into run-off, and having to meet additional run-off costs that we wish to quantify.	Noted
783.	ROAM	3.101.	ROAM believes that "the risk that technical provisions calculated on a "run-off basis" may be greater than technical provisions calculated on a "going concern" basis" should be ignored by undertakings. ROAM thinks that only expenses which are linked to the management of the related business shall be retained. Those, in	Noted

			case of an imminent run-off, would anyway be equal to total expenses. Allowing for risk of increase in expenses linked to risk of "run-off" would result in an excess of prudency and in risks of potential double-counting within the standard formula.	
784.	RSA Insurance Group PLC	3.101.	As stated earlier we believe that the going concern basis more correctly meets the requirements of the Directive. The risk specified should be dealt with by the SCR.	Noted
785.	RSA Insurance Ireland Ltd	3.101.	As stated earlier we believe that the going concern basis more correctly meets the requirements of the Directive. The risk specified should be dealt with by the SCR.	Noted
786.	RSA - Sun Insurance Office Ltd.	3.101.	As stated earlier we believe that the going concern basis more correctly meets the requirements of the Directive. The risk specified should be dealt with by the SCR.	Noted
787.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.101.	As stated earlier we believe that the going concern basis more correctly meets the requirements of the Directive. The risk specified should be dealt with by the SCR.	Noted
788.	XL Capital Ltd	3.101.	Also covers 3.102 We believe the option to choose between a going concern basis and a run off basis should be up to the firm to decide, provided that it demonstrates it has taken into consideration the risks related to the choice of either of these options. Furthermore, it could be overly prudent to require both the risk margin and the technical provisions to be calculated on a run off basis. This is not a trivial exercise to perform and it might lead to certain duplications. Finally, in order to ensure market consistency, it would be more sensible to require expenses to be calculated consistently with the	Noted

			way the business is run, i.e. if the business is run on a going concern than it would be more appropriate to calculate expenses on a going concern too.	
789.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCE S DU	3.102.	In the case of Run-off (See 3.99 a): It is odd to neglect that the reduction of the number of policies to be managed have no impact on expenses.	Noted
790.	AMICE	3.102.	We agree with CEIOPS proposal to allow undertakings to anticipate an expected cost reduction relating to the first five years after licensing of the undertaking.	Noted
791.	Association of British Insurers	3.102.	In principle limiting the consideration to future expense reductions over the next 5 years may not be theoretically correct, but may be pragmatic as it will be difficult to prove that any expected expense reduction would occur in year 10, say. So, although we understand why the limit of 5 years was set, we do think that this shouldn't be set in stone and if the insurer thinks that any longer term expected reductions are likely to take place it should be allowed to present its case to the supervisor for consideration. Anything beyond 5 yrs, the insurer would need to provide specific evidence. Any assumptions made would need to be reviewed as the initial period unfolds.	Noted
792.	Association of Friendly Societies	3.102.	We believe this paragraph is fundamentally flawed and the expense allowances should be built on the credible business plan of the organisation. This is what happens currently in other jurisdictions that use an open fund approach. Closed funds would then need to reserve for the diseconomies of scale involved in the run off of the business.	Noted
793.	Association of	3.102.	It is not clear to us what "…not allow for future cost reductions"	Noted

	Run-Off Companies		means. Presumably CEIOPS accepts that for runoff companies, who will tend to experience a reduction in claim volumes over time, it is appropriate to model a reducing reserve for expenses. This paragraph might suggest that this is not allowed, which we do not think is reasonable.	
794.			Confidential comment deleted.	
795.	CEA, ECO-SLV-09-433	3.102.	We welcome the allowance to factor-in future expense reductions for new start-ups. However, we request that this is not limited to new start-ups. The best estimate is not supposed to include a safety margin. Thus, if the insurance undertaking's management can formally agree to the expected cost reductions and can conclusively prove that the cost reductions are realistic and over an appropriate time-frame, then they should be taken into account in the best estimate, in line with the treatment of future management actions. Thus, although we strongly support the allowance for expense reductions for new start-ups, the condition "licensing of the undertaking" is too strict. For example, the establishment of a completely new line of business or a new sales channel, via an acquisition or otherwise, may lead to significant start-up costs which on a best estimate basis would be expected to reduce over time. Hence, any expected future cost reduction should be taken into account in the cash flow projection. In principle limiting the consideration to future expense reductions over the next 5 years may not be theoretically correct, but may be pragmatic as it will be difficult to prove that any expected expense reduction would occur in year 10, say. So, although we understand why the limit of 5 years was set, we do think that this shouldn't be set in stone and if the insurer thinks that any longer term expected reductions are likely to take place it should be allowed to present its case to the supervisor for	Noted

			consideration. Anything beyond 5 yrs, the insurer would need to provide specific evidence. Any assumptions made would need to be reviewed as the initial period unfolds.	
796.	CRO Forum	3.102.	Should not allow for future cost reductions until realised, except may anticipate cost reduction in first five years after licensing. We welcome the allowance to factor in future expense reductions for new start-ups. However, we disagree with not allowing for future cost reductions "where these have not been realised". For example, if a new contract has been signed but not yet commenced (say it begins in 6 months time) which lowers expenses on say an outsourcing arrangement, we believe these should be allowed to be taken into account when valuing liabilities. The best estimate is not supposed to have a safety margin. Therefore we propose that if the insurance undertaking can conclusively prove that the cost reductions are realistic and over an appropriate time-frame formally agreed by the Management, then they should be considered in the best estimate in line with the treatment of future management actions.	Noted
797.	Danish Insurance Association	3.102.	In this article the directive text is violated. If assumptions concerning future cost reductions which have not materialised are not allowed for, one is not calculating the best approximation of the true best estimate. This runs contrary to the directive article 76(2).	Noted
798.	DIMA (Dublin International Insurance & Management	3.102.	We welcome the recognition that companies going through a growth phase may seek to pre-invest in infrastructure and resources in anticipation of the growth. We would identify that a change of plan could equally apply to an undertaking with an existing licence; as such we would recommend that the spreading or allowance for future growth attaches to the business and operational planning rather than to the licensing.	Noted
799.	Dutch	3.102.	See our comment on 3.51: The inclusion of cost reductions in	Noted

	Actuarial Society – Actuarieel Genootschap (		future cashflows should be seperatly judged by an independent expert.	
800.	European Insurance CFO Forum	3.102.	Allowance for cost reductions should also be permitted after significant changes to the business. Best estimate valuation should include expected cost reductions that are realistic, objective and verifiable. Situations when cost reductions should be allowed for include valuations relating to the first five years after licensing of the undertaking or after alterations to the business that lead to significant start-up costs such as the introduction of a new line of business, product line or a new sales channel where significant new infrastructure is required. Other situations will exist where future cost reductions can be estimated and should be included in the valuation of best estimate. Comments in 3.51 and 3.100 are also relevant here.	Noted
801.	European Union member firms of Deloitte Touche To	3.102.	See also 3.51	
802.	FFSA	3.102.	CEIOPS states that assumptions about expenses should not allow for future cost reductions where these have not yet been realised. Notwithstanding this principle, undertakings may anticipate an expected cost reduction relating to the five first years after licensing of the undertaking. FFSA believes that expected cost reduction resulting or not from licensing (e.g. cost reduction plan after an acquisition) should be taken into account in best estimate technical provisions calculations as long as they have been formally agreed by the Management. Hence, any expected cost reduction within the next 5 years should	Noted

			be taken into account until the end of the projection	
803.			Confidential comment deleted.	
804.	German Insurance Association – Gesamtverband der D	3.102.	We welcome the allowance to factor-in future expense reductions for new start-ups. However, we request that this is not limited to new start-ups. The best estimate is not supposed to include a safety margin. Thus, if the insurance undertaking's management can formally agree to the expected cost reductions and can conclusively prove that the cost reductions are realistic and over an appropriate time-frame, then they should be taken into account in the best estimate, in line with the treatment of future management actions. Thus, although we strongly support the allowance for expense reductions for new start-ups, the condition "licensing of the undertaking" is too strict. For example, the establishment of a completely new line of business or a new sales channel, via an acquisition or otherwise, may lead to significant start-up costs which on a best estimate basis would be expected to reduce over time. Hence, any expected future cost reduction should be taken into account in the cash flow projection. In principle limiting the consideration to future expense reductions over the next 5 years may not be theoretically correct, but may be pragmatic as it will be difficult to prove that any expected expense reduction would occur in year 10, say. So, although we understand why the limit of 5 years was set, we do think that this shouldn't be set in stone and if the insurer thinks that any longer term expected reductions are likely to take place it should be allowed to present its case to the supervisor for consideration. Anything beyond 5 yrs, the insurer would need to provide specific evidence. Any assumptions made would need to be reviewed as the initial period unfolds.	Noted

805.	Groupe Consultatif	3.102.	See 3.51 above "five years after licensing the undertaking," ,the extension of its licensing to new areas, a portfolio transfer or the purchase of another undertaking. The five-year-period should also apply to cases of significant changes of the business, e.g. extension to new areas, portfolio transfers or the purchase of another undertaking. We believe this paragraph is fundamentally flawed and the expense allowances should be built on the credible business plan of the organisation. This is what happens currently in other jurisdictions that use an open fund approach. Closed funds would then need to reserve for the diseconomies of scale involved in the run off of the business.	Noted
806.	Institut des actuaires (France)	3.102.	"five years after licensing the undertaking," ,the extension of its licensing to new areas, a portfolio transfer or the purchase of another undertaking.	Noted
807.	Investment & Life Assurance Group (ILAG)	3.102.	We believe this paragraph is fundamentally flawed and the expense allowances should be built on the credible business plan of the organisation. This is what happens currently in other jurisdictions that use an open fund approach. Closed funds would then need to reserve for the diseconomies of scale involved in the run off of the business.	Noted
808.	Ireland's Solvency 2 Group, excluding representa	3.102.	Instead of "where these have not yet been realised", we suggest "unless there is a strong expectation that these cost reductions will be realised." The reason for the proposed change is that an undertaking may have invested in new processes which are being implemented at the present time and which can be expected to result in lower unit costs in future, but have not yet generated the projected savings. The proposed change in wording makes it more worthwhile for undertakings to invest in order to improve its	Noted

			processes. We agree with the principle of allowing new companies to project reductions in unit costs but there should be an explicit linkage to the business plan approved by the regulator. This could relate either to the plan approved at the time of the original authorisation or to a subsequent updated business plan. Therefore, we suggest replacing "relating to the first five years after licensing of the undertaking" with "in accordance with a business plan reviewed by the regulator." The final sentence "Any assumptions about the expected cost reduction should be realistic, objective and verifiable" remains as an additional safeguard against abuse of this provision." See also comments under 3.51 above	
809.	Just Retirement Limited	3.102.	The explicit limit of 5 years appears arbitrary. Firms should be able to use an appropriate assumption, as long as it is realistic, objective and verifiable.	Noted
810.	Legal & General Group	3.102.	We agree that any assumptions future expected cost reductions should be realistic, objective, and verifiable. However, the restriction that such allowances for cost reductions should only be recognised when realised imposes further restrictions on recognition than the three listed above. We recommend that this restriction be removed and that future expected cost reductions be recognised when part of the undertaking's strategy and plans which would meet the three recognition criteria of being realistic, objective, and verifiable.	Noted
811.	Lloyd's	3.102.	We agree.	Noted
812.	Munich RE	3.102.	The best estimate is not supposed to have a safety margin. Thus, if the insurance undertaking can conclusively prove the cost reductions are possible, they should be considered in the best estimate, according to the treatment of future management actions.	Noted

			Cf. comment on 3.51	
813.	OAC Actuaries and Consultants	3.102.	We believe this paragraph is fundamentally flawed and the expense allowances should be built on the credible business plan of the organisation. This is what happens currently in other jurisdictions that use an open fund approach. Closed funds would then need to reserve for the diseconomies of scale involved in the run off of the business.	Noted
814.	Pacific Life Re	3.102.	We understand the reason for stating that expenses should not allow for future cost reductions but can envisage scenarios where this may not be sensible in practice. The proposals include the ability to anticipate cost reductions within the first five years after licensing. It is often the case that insurers will plan step changes in business volumes several years after licensing. This could happen, for example, following a change in control to a new group that intended significantly higher business growth. Changes in future expenses could also result from significant changes in an insurer's business model, for example following investment in new systems, putting in place outsourcing arrangements, or transferring administration to a new location. We accept that there are dangers in permitting allowance for cost reductions as these are often not realised in practice. However, we strongly believe that the circumstances in which they are allowed should be widened beyond the current restriction to five years after licensing. We would propose that this be allowed where there has been a clear and demonstrable change in the insurer's strategy or operations and with the other conditions set out in 3.102. The rationale for suggesting this change is to ensure that best estimate reserves remain best estimates and do not incorporate margins for prudence that are not intended by the Directive. Any	Noted

			"artificial" constraint such as that in 3.102 will serve to move reserves away from pure best estimates. We would prefer that CEIOPS relies on the controls around the calculation of technical provisions, such as the validation requirements and audit, to ensure that insurers are not unreasonably optimistic in their assumptions.	
815.	PricewaterhouseCoopers LLP	3.102.	See comments under 3.51	
816.	PricewaterhouseCoopers LLP	3.102.	See comments under 3.51	
817.	RBS Insurance	3.102.	On the basis that future management actions are to be allowed for, we believe there are circumstances where recognising future expense savings is justified, accepting that they need to be realistic, objective and verifiable, including suitable historical track record for delivery of such savings".	Noted
818.	ROAM	3.102.	We agree with CEIOPS` proposal to allow that undertakings may anticipate an expected cost reduction relating to the first five years after licensing of the undertaking.	Noted
819.	XL Capital Ltd	3.102.	We welcome the allowance to factor in future expense reductions for new start-ups. However, we request that this is not limited to new start-ups or limited in time duration. The best estimate is not supposed to have a safety margin. Thus, if the insurance undertaking can conclusively prove that the cost reductions are realistic and over an appropriate time-frame, then they should be considered in the best estimate in line with the treatment of future management actions.	Noted
820.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCE	3.103.	It seems that so far non-life could not incorporate these benefits (QIS4), how to take account of profits in the standard model? With an internal model that is feasible, but contrary to the principle of proportionality.	Noted

	S DU			
821.	Danish Insurance Association	3.103.	It should be clarified that 3.103 relates to surplus funds other than surplus funds under Article 90(2), cf. paragraph 3.107	Agreed See revised text
822.	DIMA (Dublin International Insurance & Management	3.103.	We are uncertain as to the basis or scope envisaged in the need to consider surplus funds as part of the cash-flow modelling and seek additional clarification from CEIOPS. For example, where the definition of surplus funds relates to non-guaranteed but realistic benefits in a participating policyholder fund we can envisage such a requirement. However, we are not certain as to the need to consider surplus funds with no policyholder claim against them.	Agreed See revised text
823.			Confidential comment deleted.	
824.	Groupe Consultatif	3.103.	Premium tax should not be a part of the cash flow model, because the internal controlling of an insurance observes the premiums net of premium tax.	Agreed
825.	Association of Friendly Societies	3.104.	The tax payments will need to allow for any reliefs given to firms on taxation on policyholder funds and benefits to avoid over provision. This includes tax relief available for expenses on I-E computations in the UK tax regime.	Noted
826.			Confidential comment deleted.	
827.	CEA, ECO-SLV-09-433	3.104.	We request clarification of the treatment of tax charged to policyholders. Policyholder tax should be reflected in the technical provisions; however, this should not be the case if it is already allowed in another liability component. For example an insurer may take account of premiums net of premium tax in their technical provisions and then the taxes which are charged to policyholders are held as part of the "other liabilities" in the balance sheet. In this case, these taxes should not also be taken into account in the	Agreed See revised text

			technical provisions. ☐ We request the text is amended to explain what is meant by "allow for" and "take account of" to ensure that tax charges to policyholders are treated appropriately.	
828.	European Insurance CFO Forum	3.104.	Tax payments may affect asymmetric behaviour and should be reflected in the best estimate. The CFO Forum recommends the following sentence is added: "Where tax payments directly affect the asymmetric behaviour of the liabilities due to profit sharing rules and in the calculation of the liability for embedded options and guarantees, the calculation of best estimate liabilities may also require to be performed allowing tor the tax impact. "	Noted
829.	German Insurance Association – Gesamtverband der D	3.104.	We request clarification of the treatment of tax charged to policyholders Policyholder tax should in general not be reflected in the technical provisions. An insurer should take account of premiums net of premium tax in their technical provisions and the taxes which are charged to policyholders are held as part of "other liabilities" in the balance sheet. We request clarification of the text to explain what is meant by "allow for" and "take account of" to ensure that tax charges to policyholders are treated appropriately and consistent across Europe.	See No 827
830.	Groupe Consultatif	3.104.	Premium tax should not be a part of the cash flow model, because the internal controlling of an insurance observes the premiums net of premium tax. The tax payments will need to allow for any reliefs given to firms on taxation on policyholder funds and benefits to avoid over provision. This includes tax relief available for expenses on I-E computations in the UK tax regime.	See No 824 See No 825

831.	Investment & Life Assurance Group (ILAG)	3.104.	The tax payments will need to allow for any reliefs given to firms on taxation on policyholder funds and benefits to avoid over provision. This includes tax relief available for expenses on I-E computations in the UK tax regime.	See No 825
832.	OAC Actuaries and Consultants	3.104.	The tax payments will need to allow for any reliefs given to firms on taxation on policyholder funds and benefits to avoid over provision. This includes tax relief available for expenses on I-E computations in the UK tax regime.	See No 825
833.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.105.	This needs some explanation. Taxation of policyholders have normally nothing to do with taxation of the undertaking.	Agreed See revised text
834.	CEA, ECO-SLV-09-433	3.105.	The term "compulsory contributions" needs to be defined. It is not clear what this term relates to and as such could be misinterpreted. Furthermore, care is need to avoid any double counting, e.g. it could be taken to include levies paid by insurance companies to industry protection schemes, which may already be included in companies' expense assumptions.	Agreed See revised text
835.	CRO Forum	3.105.	It may not be appropriate to reflect future tax changes prior to implementation if they are likely to result in a release of technical provisions. Or base this on a judgement around the risk of implementation.	Not agreed Future tax payments as obligations will result in increase of technical provisions
836.			Confidential comment deleted.	
837.	CEA, ECO-SLV-09-433	3.106.	Harmonisation is important. We would require a communication from the local regulator with regard to the expected changes to future taxation requirements in	Noted

			order to avoid a different application between competitors.	
838.	Pricewaterhou seCoopers LLP	3.106.	It would be helpful in Level 2 or Level 3 text to define the term "agreed (but not yet implemented)" in relation to the implementation of changes to taxation requirement. We note that International Accounting Standard 12 paragraph 46 (IAS 12.46) considers the term, "substantially enacted." This would be a useful concept to introduce and would aid consistency with financial reporting.	Agreed See revised text
839.	Pricewaterhou seCoopers LLP	3.106.	It would be helpful in Level 2 or Level 3 text to define the term "agreed (but not yet implemented)" in relation to the implementation of changes to taxation requirement. We note that International Accounting Standard 12 paragraph 46 (IAS 12.46) considers the term, "substantially enacted." This would be a useful concept to introduce and would aid consistency with financial reporting.	See No 838
840.	CEA, ECO-SLV-09-433	3.107.	Se comment to Para 3.60	
841.	CRO Forum	3.107.	The advice in this paragraph proposes that policyholder behaviour is expected to be factored into valuation of future cash-flow. We interpret this as basing the policyholder behaviour on undertaking's experience with a particular policy type.	Noted
842.	DIMA (Dublin International Insurance & Management	3.107.	The word "forsee" should read "forseen".	Agreed See revised text
843.	European Insurance CFO Forum	3.107.	Clarification is required as to the application of "national level" allowance. Article 90 (2) refers to the "national level" allowance. Clarification is	Not agreed Not part of this CP

			required as to whether the ability to absorb losses and be "subordinated" to all other claims is confined to, for example, the legal entity, the fund concerned, or the branch.	
844.	German Insurance Association – Gesamtverband der D	3.107.	This paragraph which states that surplus funds that fall under Article 90(2) of the Level 1 text "should be excluded" seems to contradict Paragraph 3.61 which states that these "should be taken into account". ☐ We request that the wording "should be taken into account" is amended so that it is clear that surplus funds do not form part of the technical provisions.	Agreed See revised text
845.	Lucida plc	3.108.	We agree that policyholder behaviour and future management actions should be considered when valuing potential future cashflows	Noted
846.	Association of British Insurers	3.109.	There is a danger that under point b) the separation of in and out of the money could be taken too literally and as such be burdensome. Point d) Should the text "… would not be an undue burden…" read "…would be an undue burden….''?	Not agreed Suitable model points are reasonable simplification which require that policies with guarantee in the money and policies with guarantee out of money are not be mixed Agreed See revised text
847.	Association of Friendly Societies	3.109.	We believe that (d) should read "would be" rather than "would not be"	See No 846
848.			Confidential comment deleted.	

849.	CEA, ECO-SLV-09-433	3.109.	Point b) - There is a danger that the separation of in and out of the money could be taken too literally and as such would be burdensome. ☐ We recommend that "are "in the money"" is replaced with "are significantly "in the money"" and similarly for out of the money guarantees.	See No 846
			Point d) - Seems inconsistent with the overall aim of this paragraph. If projection on a policy-by-policy basis is an undue burden, why should companies be prevented from using suitable model points? Conversely, if a policy-by-policy projection isn't a burden, why should companies be encouraged to use model points? This seems to be a drafting error. The use of model points will reduce run-times for insurers and so reduce costs. As long as the model points adequately represent the value and risk of the individual policies, there should be no further restrictions on the use of model points. ☐ We recommend that point (d) is deleted.	See No 846
850.	CRO Forum	3.109.	There is a danger that point b) the separation of in and out of the money could be taken too literally and as such be burdensome. Concept of proportionality should be introduced to this point. We recommend that "are "in the money"" is replaced with "are significantly "in the money"" and similarly for out of the money guarantees.	See No 846

			Point d) seems inconsistent with the overall aim of this paragraph. It is unclear why, if the projection on a policy-by-policy basis is an undue burden undertakings are prevented from using suitable model points? Conversely, if a policy-by-policy projection is not a burden why should companies be encouraged to use model points? This seems to be arbitrary. We recommend that the first sentence in d) should be amended as follows: "The projection on a policy-by-policy basis would not be an undue burden …"	See No 846
851.	European Insurance CFO Forum	3.109.	The requirements for cash-flow projections based on model points should be lower for reinsurers compared with primary insurers given the lower level of data availability. The word "not" should be deleted from condition d). The use of model points should be permitted when a policy-by-policy basis would be an undue burden.	Not agreed To calculate best estimate for life obligations the same level of data should be available to reinsurer as for direct insurer See No 846
852.	German Insurance Association – Gesamtverband der D	3.109.	Point d) - Seems inconsistent with the overall aim of this paragraph: The use of model points will reduce run-times for insurers and so reduce costs. As long as the model points adequately represent the value and risk of the individual policies, there should be no further restrictions on the use of model points. ☐ We recommend that point (d) is deleted.	See No 846
853.	Groupe Consultatif	3.109.	We believe that (d) should read "would be" rather than "would not be"	See No 846
854.	Investment & Life Assurance Group (ILAG)	3.109.	We believe that (d) should read "would be" rather than "would not be".	See No 846

855.	Lucida plc	3.109.	It would seem reasonable to require (d) to be the opposite of the way it is currently written.	See No 846
856.	Munich RE	3.109.	It should be noted that the requirements for reinsurers should be lower than those for primary insurers due to the limited data availability of the reinsurer in comparison with the primary insurer.	See No 851
857.	OAC Actuaries and Consultants	3.109.	We believe that (d) should read "would be" rather than "would not be"	See No 846
858.	PEARL GROUP LIMITED	3.109.	There is a danger that under point b) the separation of in and out of the money could be taken too literally and as such be burdensome.	See No 846
859.	Association of British Insurers	3.110.	We agree with these two paragraphs and would add that 'no implicit or explicit surrender value floor should be assumed'.	Agreed See revised text
860.	Association of Friendly Societies	3.110.	We believe that the split between non-life and life is somewhat arbitrary.	Not agreed Calculation of life insurance obligations should be performed on policy-by-policy basis and for non-life insurance obligations on the portfolio basis.
861.	CEA, ECO-SLV-09-433	3.110.	We agree with the allowance for negative technical provisions and would add that "no implicit or explicit surrender value floor should be assumed".	See No 859
862.	European Union member firms of Deloitte Touche To	3.110.	We believe that further clarification is needed.	Noted

863.	German Insurance Association – Gesamtverband der D	3.110.	We agree with the allowance for negative technical provisions.	Noted
864.	Groupe Consultatif	3.110.	We believe that the split between non-life and life is somewhat arbitrary.	See No 860
865.	Investment & Life Assurance Group (ILAG)	3.110.	We believe that the split between non-life and life is somewhat arbitrary.	See No 860
866.	OAC Actuaries and Consultants	3.110.	We believe that the split between non-life and life is somewhat arbitrary.	See No 860
867.	Pacific Life Re	3.110.	We agree with the comments made about negative best estimate reserves made in 3.110 and note that this can occur for whole product classes as well as for individual contracts. For example, any risk premium reinsurance business that is adequately priced can be expected to have negative reserves throughout the policy duration. It also possible, although less likely that technical provisions can be negative. There is no particular reason why the risk margin should exceed any negative best estimate reserve. We see no reason for any restriction on negative best estimate reserves or technical provisions at any level.	Not agreed Mathematical provisions are calculated based on policy-by-policy basis. Negative obligations for non life obligations are considered in subsection "non-life insurance obligations.
868.	PEARL GROUP LIMITED	3.110.	We agree with these two paragraphs and would add that 'no implicit or explicit surrender value floor should be assumed'.	See No 859
869.	RBS Insurance	3.110.	We agree with this approach.	Noted
870.	ACA –	3.111.	We welcome the no surrender value floor assumption.	Agreed

	ASSOCIATION DES COMPAGNIES D'ASSURANCES DU		This needs some explanation.	See revised text
871.	CEA, ECO-SLV-09-433	3.111.	See our comments to Para 3.110.	
872.	CRO Forum	3.111.	We welcome CEIOPS advice on no surrender value floor assumption for the market consistent value of liabilities. This is a reasonable approach to take given this ensures that the technical provisions are close to being realistic as possible.	Noted
873.	European Insurance CFO Forum	3.111.	The CFO Forum notes that this is a critical conclusion and should remain in the level 2 implementation guidance.	Noted
874.			Confidential comment deleted.	
875.	Association of British Insurers	3.112.	We would understand this as meaning that 'the best estimate for provisions for claims outstanding and for premium provisions should be carried out identified separately'. There will be cases where the two calculations will be intermingled and it might therefore not be appropriate to require separate calculations.	Not agreed The separate calculation is default requirement. Simplifications are not part of this CP
876.			Confidential comment deleted.	
877.	European Union member firms of Deloitte Touche To	3.112.	See also our remarks at 3.65.	
878.	Groupe Consultatif	3.112.	See also our remarks at 3.65.	

879.	KPMG ELLP	3.112.	We agree.	Noted
880.	Lloyd's	3.112.	We agree.	See No 879
881.	Munich RE	3.112.	Replace "carried out separately" by "valued separately". An underwriting year perspective might be a more meaningful approach to project ultimate losses, than an accident year approach.	Not agreed Valuation should be carried separately
882.	PEARL GROUP LIMITED	3.112.	We would understand this as meaning that 'the best estimate for provisions for claims outstanding and for premium provisions should be ~~carried out~~ identified separately'. There will be cases where the two calculations will be intermingled and it might therefore not be appropriate to require separate calculations.	See No 875
883.	AMICE	3.113.	CEIOPS states in CP 30 that the valuation of best estimates should include the cash-flow of tacitly renewed contracts (among them the contracts where the cancellation deadline has passed. CEIOPS writes that the cash flow in would equal the premiums tacitly renewed and the cash flow out would equal the corresponding claims and expenses. In our opinion, if the approach defined in CP30 is applied, Best Estimates would be stongly impacted by the difference between these cash-flows, which corresponds to the technical result over a three months period (i.e. cancellation deadline: If the margin (cash flow-in minus cash flow-out) is positive , the resulting amount of the Best Estimate will be understated. If we suppose, as for the premium best estimate, that the result is nil, there would be no impact. AMICE thinks that the implementation would be very burdensome compared to the actual results.	Noted

			AMICE members would like some detail about the treatment of future premiums in non-life business and also some clarification on how to assess the resulting Best Estimate. A possible way forward to overcome these difficulties is to disregard the recognition of future premiums if the impact is deemed to be non material.	Not agreed Simplifications are not part of this CP
884.	Association of British Insurers	3.113.	Last sentence We believe this should be applied in a reasonable manner, taking account of materiality. Provided it is demonstrated the coefficient used is reliable, it should not be mandatory to require 'all' future claim payments and claims management expenses to be covered by the cash flows projections. We would therefore suggest adding the phrase " to the extent that their exclusion would materially understate the results of the valuation"	Not agreed Simplifications are not part of this CP
885.	CEA, ECO-SLV-09-433	3.113.	Best practice methods for non-life insurers are based on simple proportional methods. Ceiops' advice should not preclude the use of such methods. The approach proposed by Ceiops to assess the Best Estimate of Premium Provisions is technically correct but it includes a requirement for cash flow projections including Future Premium cash flows. This may add excessive complexity for companies as it may not be the current best practice to carry out full cash flow projections for non-life business. Therefore, we suggest that Ceiops allows for simpler approaches and that the requirements should be applied in a reasonable manner, taking account of the materiality of the cash flows. Provided it is demonstrated that the method used by the insurer is reliable, it should not be mandatory to require "all" future claims payments, claims management expenses and future premiums to	Not agreed Simplifications are not part of this CP

			be included in cash flow projections. Furthermore, we would request details of the definition of these future premiums for non-life business. As an aside, the definitions and wording relating to the "in-force period", "period on risk" or "coverage period" should be identical and consistent with CP30. (Also applicable for Para 3.115.)	Not agreed CP 30 defines future premiums Noted
886.	CRO Forum	3.113.	Non-Life Premium Provision: the approach proposed by CEIOPS to assess the Best Estimate of Premium Provision is technically correct but it includes in the calculation also the Future Premiums as well as the cash-flows regarding the corresponding claims (i.e. the premium provision shows the profit/ loss relating to the coverage period after the valuation date during the remaining in-force period, considering also the claims corresponding to the unearned premium reserve). As commented above it would add a higher level of complexity for companies and we would suggest CEIOPS to allow for simpler approaches. It should reminded that the common internal practice adopted by auditors and internal experts is usually based on simple proportional approaches	Not agreed Simplifications are not part of this CP
887.	FFSA	3.113.	Regarding best estimate for premium provisions, FFSA believes proportionality should be applicable in order to avoid a burden.	Not agreed Simplifications are not part of this CP

			FFSA would like details about the definition of these future premiums in non-life and clarifications about the valuation of the resulting Best Estimate.	See No 885
888.	KPMG ELLP	3.113.	We agree, but do note that some future premiums (for example, swing rated or adjustment premiums) can relate to claims that have already occurred and, hence, introduce a mismatch between claim and premium provisions. There is no issue in the aggregate.	Noted
889.	Lloyd's	3.113.	We agree, but do note that some future premiums (for example, swing rated or adjustment premiums) can relate to claims that have already occurred and, hence, introduce a mismatch between claim and premium provisions. There is no issue in the aggregate.	See No 888
890.	Munich RE	3.113.	Non-Life Premium Provision: the approach proposed by CEIOPS to assess the Best Estimate of Premium Provision is technically correct but it includes in the calculation also the Future Premiums as well as the cash-flows regarding the corresponding claims (i.e. the premium provision shows the profit/ loss relating to the coverage period after the valuation date during the remaining in-force period, considering also the claims corresponding to the unearned premium reserve). As commented above it would add a higher level of complexity for companies and we would suggest CEIOPS to allow for simpler approaches. It should reminded that the common internal practice adopted by auditors and internal experts is usually based on simple proportional approaches.	Not agreed Simplifications are not part of this CP
891.	Pricewaterhou seCoopers LLP	3.113.	Clearer definition of 'future premium' is required, particularly clarifying what impact this has between the consistency of the claims and premium reserves where premium is written/pipeline/earned etc.	Not agreed This is not the issue of this CP
892.	Pricewaterhou seCoopers LLP	3.113.	Clearer definition of 'future premium' is required, particularly clarifying what impact this has between the consistency of the claims and premium reserves where premium is	See No 891

			written/pipeline/earned etc.	
893.	XL Capital Ltd	3.113.	Proportionality should be applied. We feel it would be helpful for this paper to include a section discussing materiality and proportionality.	Not agreed Simplifications are not part of this CP
894.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.114.	Simple proportional computations are often used in the evaluation of non-life provisions. Those methods, which have demonstrated their effectiveness, should be allowed.	Not agreed Simplifications are not part of this CP
895.	Association of British Insurers	3.114.	The premium provision should clearly take the stated obligations into account. It is unclear whether it also needs to be split into these components or can be calculated as a lump sum. If the former is the intention, then we would advise against splitting cash-flows from future claims events and cash-flows from allocated claims management expenses, as these would both be part of paid claims eventually and the statistical basis for calculation is the same, as it may not always be easy to split paid claims into allocated expenses and payments to policyholders, especially historically.	Agreed See revised text
896.			Confidential comment deleted.	
897.	CEA, ECO-SLV-09-433	3.114.	The premium provision should clearly take the stated obligations into account. It is unclear whether it also needs to be split into these components or can be calculated as a lump sum. If the former is the intention, then we would advice against splitting cash-flows from future claims events and cash-flows from allocated claims management expenses, as these would both be part of paid claims eventually and the statistical basis for calculation is the same, as it may not always be easy to split paid claims into allocated expenses and payments to policyholders, especially	See No 895

			historically.	
898.	European Insurance CFO Forum	3.114.	Clarification is required as to whether the premium provision calculation needs to be presented into the specific components listed. The CFO Forum agrees that the premium provision should take the listed items into account. However, it is unclear whether these should be calculated separately or as a lump sum. If separate calculations are required, the CFO Forum does not agree with separating out the allocated claim management expenses from the future claims event cash-flows given the practical challenges of doing so.	See No 895
899.	KPMG ELLP	3.114.	We agree.	Noted
900.	Lloyd's	3.114.	We agree.	See No 899
901.	ROAM	3.114.	ROAM would like details about the definition of these future premiums in non-life and clarifications about the valuation of the resulting Best Estimate. We propose to differentiate life and non-life treatments. We think that this paper is not relevant for non-life business. Otherwise, all expecting cash flows would have to be projected: cash in-flows (future premiums, investments) and cash out-flows (expenses, claims) related to a new year of business. So, finally, this would require a full business plan: this would amount to measure all the commitments on the reporting date + 1 year. We are strongly opposed to such a treatment. Taking into account a supplementary year would not be consistent with the one year horizon for solvency purpose.	See No 885 Noted Not agreed The cash flow projection is linked only to existing business

			Furthermore, in some members states such as the UK insurance contract law at least on motor insurance puts the burden on the insured to renew and there is no such thing as tacit renewal nor a 3 month notice. ROAM believes that this creates a competitive disadvantage for non life insurers.	Noted
902.	CEA, ECO-SLV-09-433	3.115.	Premium provisions should be allowed to be negative. Ceiops states that the valuation of premium provisions should take account of expected profits and of the time value of money where risks in the remaining period would give rise to claims settlements in the medium term. To be symmetric and consistent with Para 3.110 for life insurance: ☐ We would suggest the addition of: "in certain specific circumstances, the best estimate element of technical provisions may be negative. This is acceptable and undertakings should not set to zero the value of the best estimate." As an aside, it is unclear what is meant by "into the medium term future". ☐ This wording should be deleted.	Agreed See revised text Agreed See revised text
903.	European Insurance CFO Forum	3.115.	The phrase "medium future term" should be defined. The CFO Forum notes that there will be a wide range of views in the industry regarding what the "medium future term" is. The term should be defined to ensure consistency.	See No 902

			The requirement should to be amended to reinforce the view that technical provision can be negative for life insurance business, consistent with 3.110. To reinforce consistency with 3.110, the requirement should be amended to include: "in certain specific circumstances, the best estimate element of technical provision may be negative. This is acceptable and undertakings should not set to zero the value of the best estimate with respect to those individual contracts."	See No 902
904.	FFSA	3.115.	CEIOPS states that the valuation of premium provisions should take account of expected profits and of the time value of money where risks in the remaining period would give raise to claims settlements into the medium term future. FFSA believes that, to be totally explicit and symmetric with § 3.110 for life insurance, we would suggest to add that: "in certain specific circumstances, the best estimate element of technical provision may be negative. This is acceptable and undertakings should not set to zero the value of the best estimate with respect to those individual contracts."	See No 902
905.	Groupe Consultatif	3.115.	There is an ongoing discussion at the IASB whether IFRS4 phase II technical provisions shall allow for profit at inception or not; if anything, there seems to be opinion for not allowing for profit at inception by calibrating the provision to the premium. We find the present 3.115 a bit unclear, but it seems to indicate that profit should be recognized at inception. In particular, this would mean that non-life premium provisions would no longer be calculated "pro rata temporis". In principle, this is consistent with the view in Articles 74 to 77, but it may give rise to an unwanted inconsistency with future statutory reporting based on IFRS4 phase II.	Noted
906.	KPMG ELLP	3.115.	We agree.	Noted
907.	Lloyd's	3.115.	We agree.	See No 906

908.	Association of British Insurers	3.116.	We agree that future policyholder behaviour should be taken into account only where this has a material effect on the final result.	Not agreed Simplifications are not part of this CP
909.	CRO Forum	3.116.	Non-Life Claims Outstanding: the approach proposed by CEIOPS to assess the Best Estimate of Claims Outstanding is technically correct. It includes only claims occurred prior to and at the valuation date.	Noted
910.	KPMG ELLP	3.116.	We agree.	Noted
911.	Lloyd's	3.116.	We agree.	See No 910
912.	CRO Forum	3.117.		
913.	KPMG ELLP	3.117.	We agree.	Noted
914.	Lloyd's	3.117.	We agree.	See No 913
915.	AAS BALTA	3.118.	We agree with the substance over form point subject to proportionality.	Noted
916.	AB Lietuvos draudimas	3.118.	We agree with the substance over form point subject to proportionality.	See No 915
917.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCE S DU	3.118.	We agree if the Principle of Proportionality remains applicable.	Noted
918.	CEA, ECO-SLV-09-433	3.118.	We definitely agree with the fundamental principle of substance over form.	Noted
919.	CRO Forum	3.118.	Substance over form: The choice between life and non-life actuarial	Noted

			methodologies should be based on the nature of the obligation being valued and from the identification of the risks which materially affect the underlying cash-flows (principle of substance over form). In principle we agree, but in some cases (e.g. for Motor) this is impractical. In these cases, more practical approaches should be applied if proportionality principle allows it.	
920.	DENMARK Codan Forsikring A/S (10529638)	3.118.	We agree with the substance over form point subject to proportionality.	See No 915
921.	Dutch Actuarial Society – Actuarieel Genootschap (	3.118.	We agree with the substance over form principle.	Noted
922.	European Union member firms of Deloitte Touche To	3.118.	We agree with this point of substance over form. This should be considered in the requirement whether or not premiums and claims provisions should be evaluated and reported separately. (3.112)	Noted
923.	FFSA	3.118.	CEIOPS states that the choice between life and non life actuarial methodologies should be based on the nature of the obligation being valued and from the identification of the risks which materially affect the underlying cash flows. FFSA notes that in 3.74 the example of unit linked is taken « products of a strong financial nature and little to none underwriting risk ». FFSA thinks that it is not a good example because with the calibration on Lapse mass, underwriting risk on unit linked appeared stronger than market risk…	See No 519

924.			Confidential comment deleted.	
925.	Groupe Consultatif	3.118.	We agree with this point of substance over form. This should be considered in the requirement whether or not a premium and claims provisions should be valuated and reported separately. (3.112)	See No 922
926.	KPMG ELLP	3.118.	We agree with the principle of substance over form and expert judgement.	Noted
927.	Link4 Towarzystwo Ubezpieczeń SA	3.118.	We agree with the substance over form point subject to proportionality.	See No 915
928.	Lloyd's	3.118.	We strongly agree with the principle of substance over form and expert judgement.	See No 926
929.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.118.	We agree with the substance over form point subject to proportionality.	See No 915
930.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.118.	We agree with the substance over form point subject to proportionality.	See No 915
931.	RSA Insurance Group PLC	3.118.	We agree with the substance over form point subject to proportionality.	See No 915
932.	RSA Insurance Ireland Ltd	3.118.	We agree with the substance over form point subject to proportionality.	See No 915

933.	RSA - Sun Insurance Office Ltd.	3.118.	We agree with the substance over form point subject to proportionality.	See No 915
934.	SOGECORE	3.118.	We again strongly support the principle of substance over form	See No 921
935.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.118.	We agree with the substance over form point subject to proportionality.	See No 915
936.	CEA, ECO-SLV-09-433	3.119.	Please refer to our comments on CP50 with regard to the definition of health insurance. Health insurance obligations should be allowed to be negative. To be symmetric and consistent with Para 3.110 for life insurance: ☐ We would suggest the addition of: "in certain specific circumstances, the best estimate element of technical provisions may be negative. This is acceptable and undertakings should not set to zero the value of the best estimate."	Agreed See revised text.
937.	European Insurance CFO Forum	3.119.	Accident and disability riders to life insurance policies should be permitted to be evaluated as life obligations. The CFO Forum recommends the following sentence to be added|: "Often accident and disability are included as riders in participating life business. In this case, a separation of the liability into the health line may be inappropriate. In particular where the products include annuity elements, calculation in line with life insurance obligations may be more appropriate." Clarification is requested as to whether the definition of Health obligations includes compulsory motor third party. The definition here seems to include motor third party, which will	Agreed See revised text.

			result in different treatments between motor third party and worker's compensation whilst these two classes share very similar risk characteristics. In general, the CFO Forum prefers not to have a separate Health module.	
938.	FFSA	3.119.	CEIOPS defines health insurance obligations. FFSA believes that, to be totally explicit and symmetric with § 3.110 for life insurance, we would suggest to add that: "in certain specific circumstances, the best estimate element of technical provision may be negative. This is acceptable and undertakings should not set to zero the value of the best estimate with respect to those individual contracts."	See No 936
939.	German Insurance Association – Gesamtverband der D	3.119.	GDV proposes: ☐ To stick to point A of the Annex I of framework directive which is clearly distinguishing between "Accident" and "Sickness" cover.	Not agreed Annex I refer to classification of risks, while this paragraph defines insurance obligations
			☐ The following definition for health insurance: Health insurance could be understood as a generic term applying to all types of insurance indemnifying or reimbursing losses or expenses caused by medical treatment or short or long term care (medical insurance), providing services (medical assistance) or supplementary insurance underwritten in addition to medical insurance. The above definition at this stage seems flexible enough for all European markets to have a separation of the three different branches (Non Life, Health, Life) with respect to their business written and the principle "substance over form". However we are aware that the types of coverage exiting in the different countries differ significantly. Consequently, disability risk should be covered by life insurance, and accident risk should be covered by P&C insurance. For the German market it is important to mention that	Agree See revised text.

			accident insurance is usually quite similar to property insurance (insured sums). The inclusion of accident in health but not in P&C led in QIS4 to inconsistencies between the MCR-modul, the operational risk-modul and the underwriting risk-modul when comparing accident- and e.g. property-insurance. Please refer also to our comments on CP48 and CP50 with regard to the definition of health insurance.	
940.	Groupe Consultatif	3.119.	Instead of CEIOPS advice 3.119-3.120 in CP39 concerning the definition of health obligations (see also CP50, No. 3.124) GDV and PKV recommend: 1. to stick to point A of the Annex I of framework directive, which clearly distinguishes between "Accident" and "Sickness" cover. It´s then up to the business of the company whether accident is part of P&C insurance (which is the case for Germany) or part of health. 2. the following definition of health insurance: Health insurance could be understood as a generic term applying to all types of insurance indemnifying or reimbursing losses caused by medical treatment (medical insurance), or supplementary insurance underwritten in addition to medical insurance. The above definition aims towards homogeneous risk groups and seems flexible enough for all European markets to have a separation of the three different branches (P&C, Health, Life) w.r.t to their business written and w.r.t. the principle "substance over	See No 939

			form”. In contrast to this definition, CEIOPS’ proposal of a definition in No. 3.119 of CP39 would create a mixture of several types of covers from quite different branches of P&C incl. accident, Life and (private) health.	
941.	Association of Friendly Societies	3.120.	We believe the split in methodologies is a pure invention of CEIOPS. All of the methods should be used in health insurance as they should in non-life insurance and life insurance. Long term claims are valued using discounting methods, unexpired risk (or policy based technical provisions) require projections of claims expected and expenses less premiums plus any cost of options and guarantees, IBNR requires statistical techniques using run off triangles or some other allowance.	Not agreed Directive in Article 105(4) use term “health obligations” which should be defined
942.	CEA, ECO-SLV-09-433	3.120.	Please refer to our comments on CP50 with regard to the categorisation of health insurance.	
943.	CRO Forum	3.120.	Health Obligations: we agree with the proposed split between SLT-Health and Non-SLT Health.	Noted
944.	European Insurance CFO Forum	3.120.	Treatment of unemployment guarantees is unclear. The techniques for valuing unemployment guarantees are similar to life but it seems inappropriate to add unemployment to the health category. We recommend that a sub-category of SLT is created within the non-life SLT.	Not agreed The obligations of unemployment guarantee insurance should be segmented according to CP 27
945.	FFSA	3.120.	FFSA has a concern about unemployment guarantees. The techniques are similar to life, but there is no sense to add unemployment in a health category. Shouldn’t CEIOPS create a sub-module SLT in non-life SLT? FFSA understands that the only consequence of the proposed split is that SLT Health Best Estimate reserves should be valued using	See No 944

			life valuation methods and that Non-SLT Health Best Estimate reserves should be valued using non life valuation methods: is this correct?	
946.	German Insurance Association – Gesamtverband der D	3.120.	Please refer to our comments on CP50 with regard to the categorisation of health insurance.	Noted
947.	Groupe Consultatif	3.120.	A materiality criterion is likely to be appropriate. We believe the split in methodologies is a pure invention of CEIOPS. All of the methods should be used in health insurance as they should in non-life insurance and life insurance. Long term claims are valued using discounting methods, unexpired risk (or policy based technical provisions) require projections of claims expected and expenses less premiums plus any cost of options and guarantees, IBNR requires statistical techniques using run off triangles or some other allowance.	Not agree Simplifications are not part of this CP See No 941
948.	Investment & Life Assurance Group (ILAG)	3.120.	We believe the split in methodologies is a pure invention of CEIOPS. All of the methods should be used in health insurance as they should in non-life insurance and life insurance. Long term claims are valued using discounting methods, unexpired risk (or policy based technical provisions) require projections of claims expected and expenses less premiums plus any cost of options and guarantees, IBNR requires statistical techniques using run off triangles or some other allowance.	See No 941
949.	Munich RE	3.120.	Health Obligations: we agree with the proposed split between SLT-Health and Non-SLT Health. For the calibration of the parameters used it should be noticed that there are remarkable differences	Noted

			between Life business and Health business valued according life techniques. This is also true for Non-SLT Health business and the Non-Life business.	
950.	OAC Actuaries and Consultants	3.120.	We believe the split in methodologies is a pure invention of CEIOPS. All of the methods should be used in health insurance as they should in non-life insurance and life insurance. Long term claims are valued using discounting methods, unexpired risk (or policy based technical provisions) require projections of claims expected and expenses less premiums plus any cost of options and guarantees, IBNR requires statistical techniques using run off triangles or some other allowance.	See No 941
951.	AAS BALTA	3.121.	Proportionality should be considered when dealing with obligations in different currencies to avoid over engineering of process to deal with liabilities in currencies with immaterial impact	Not agree Simplifications are not part of this CP
952.	AB Lietuvos draudimas	3.121.	Proportionality should be considered when dealing with obligations in different currencies to avoid over engineering of process to deal with liabilities in currencies with immaterial impact	See No 951
953.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.121.	Yes, but only if this is material otherwise this can lead to high complexity.	See No 951
954.	Association of British Insurers	3.121.	We believe this requirement should be applied for material currencies. There should be room to apply some judgement here and firms should have the possibility to use a bucket of currencies for this purpose. This would prove very difficult and burdensome in terms of time and cost to apply for certain markets otherwise.	See No 951
955.	Association of Friendly	3.121.	We suggest should be reported rather than calculated separately. They can be calculated at the same time as long as the results are	See No 951

	Societies		held separately.	
956.			Confidential comment deleted.	
957.	CEA, ECO-SLV-09-433	3.121.	This could be burdensome and disproportionate. Homogeneous risk groups are not affected by currency. Furthermore, the requirement as it stands would prove very difficult and burdensome in terms of time and cost to apply for certain markets. There should be room to apply some judgement here and it can be quite appropriate to combine certain overseas currencies, e.g. when there are good reasons for suspecting that they will be highly correlated such as Asian currencies pegged to the USD. There are also other ways to treat currencies instead of separation, e.g. a calculation on fixed-rate triangles. ☐ The CEA suggests this paragraph is removed or amended to allow for proportionality with: "When material the best estimate should be calculated separately for obligations of different currency if this is required in order to separate business into homogeneous risk groups".	Not agreed Different currencies will use different discount rates. See No 951
958.	CRO Forum	3.121.	"The best estimate should be calculated separately for obligations of different currency" This seems onerous. The requirement should be proportional.	See No 951
959.	DENMARK Codan Forsikring A/S (10529638)	3.121.	Proportionality should be considered when dealing with obligations in different currencies to avoid over engineering of process to deal with liabilities in currencies with immaterial impact	See No 951
960.	DIMA (Dublin International Insurance & Management	3.121.	The requirements to separately identify and determine liabilities by currency may be disproportionate in certain circumstances. As such, simplification should contemplate conservative approximations as an alternative.	See No 951

961.	Dutch Actuarial Society – Actuarieel Genootschap (	3.121.	This should only be required if the impact is material (proportionality principle)	See No 951
962.	European Insurance CFO Forum	3.121.	The requirement to perform separate calculations for different currencies should take account of the principle of proportionality. The requirement for separate calculations should be applied where obligations from a different currency are significant in relation to the total provisions of the undertaking. A simplified approach should be used for immaterial exposures.	See No 951
963.	European Union member firms of Deloitte Touche To	3.121.	This could work in general but might need to be brought in perspective of specific markets; e.g. for the London market this would not work in practice.	Noted
964.	FFSA	3.121.	CEIOPS states that the best estimate should be calculated separately for obligations of different currency. FFSA thinks that this point should be removed or amended to allow for some proportionality since it would require a too strong constraints if it has to be applied on a systematic basis and may even lead to wrong estimation due to size effects.	See No 951
965.	German Insurance Association – Gesamtverband der D	3.121.	This could be burdensome and disproportionate Homogeneous risk groups are not affected by currency. Furthermore, the requirement as it stands would prove very difficult and burdensome in terms of time and cost to apply for certain markets. There should be room to apply some judgement here and it can be quite appropriate to combine certain overseas currencies, e.g. when there are good reasons for suspecting that they will be	See No 957

			highly correlated such as Asian currencies pegged to the USD. There are also other ways to treat currencies instead of separation, e.g. a calculation on fixed-rate triangles. The GDV suggests this paragraph is removed or amended to allow for proportionality with ☐ : “When material the best estimate should be calculated separately for obligations of different currency if this is required in order to separate business into homogeneous risk groups”.	
966.	Groupe Consultatif	3.121.	“Where material, the best estimate should be calculated separately for obligations of different currency.” Homogeneous risk groups are not directly effected by currency. This could work in general but might need to be brought in perspective of specific markets. E.g. for the London market this would not work in practice. “Where material, the best estimate should be calculated separately for obligations of different currency.” We suggest should be reported rather than calculated separately. They can be calculated at the same time as long as the results are held separately.	See No 957
967.	Institut des actuaires (France)	3.121.	“Where material, the best estimate should be calculated separately for obligations of different currency.”	See No 951
968.	Investment & Life Assurance Group (ILAG)	3.121.	We suggest should be reported rather than calculated separately. They can be calculated at the same time as long as the results are held separately.	See No 957
969.	Link4 Towarzystwo Ubezpieczeń SA	3.121.	Proportionality should be considered when dealing with obligations in different currencies to avoid over engineering of process to deal with liabilities in currencies with immaterial impact	See No 951

970.	Lloyd's	3.121.	The principle of proportionality should be emphasised in this statement. We suggest that it is changed to read: "The best estimate should be calculated separately for obligations of currencies, subject to materiality."	See No 951
971.	Milliman	3.121.	This paragraph has been included in summary section (CEIOPS' advice) without any explanatory text. Further, it is unclear why obligations must be calculated separately by currency. On the contrary, there is often little value to adding additional granularity with respect to currency when evaluating non-life provisions for claims outstanding. Multiple currencies in a reserving segment can add uncertainty as to the calculated best estimate and as such should be considered, but we do not believe that the strong suggestion ("should") for separate calculation is appropriate. Rather, the determination should be based on judgement.	Agreed See revised text
972.	Munich RE	3.121.	Replace 3.121 by "In the best estimate calculation the potential currency impact should be addressed appropriately." Reason: 1) The principle of proportionality should be applied in case of currencies with immaterial impact, especially regarding discounting. 2) There are other ways to treat currencies than separation, e.g. a "best-estimate-before-discounting" calculation on fixed-rate triangles.	Not agreed Simplifications are not part of this CP
973.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.121.	Proportionality should be considered when dealing with obligations in different currencies to avoid over engineering of process to deal with liabilities in currencies with immaterial impact	See No 951
974.	NORWAY: Codan Forsikring (Branch	3.121.	Proportionality should be considered when dealing with obligations in different currencies to avoid over engineering of process to deal with liabilities in currencies with immaterial impact	See No 951

	Norway) (991 502			
975.	OAC Actuaries and Consultants	3.121.	We suggest should be reported rather than calculated separately. They can be calculated at the same time as long as the results are held separately.	See No 951
976.	PEARL GROUP LIMITED	3.121.	We believe this requirement should be applied for material currencies. There should be room to apply some judgement here and firms should have the possibility to use a bucket of currencies for this purpose. This would prove very difficult and burdensome in terms of time and cost to apply for certain markets otherwise.	See No 951
977.	PricewaterhouseCoopers LLP	3.121.	This would appear to be somewhat onerous. The principles of materiality and proportionality should be applied in the valuation of technical provisions separately by currency. Simplifications should be permitted so that separate currency projections are only required where amounts denominated in such currencies are material.	See No 951
978.	PricewaterhouseCoopers LLP	3.121.	This would appear to be somewhat onerous. The principles of materiality and proportionality should be applied in the valuation of technical provisions separately by currency. Simplifications should be permitted so that separate currency projections are only required where amounts denominated in such currencies are material.	See No 951
979.	RBS Insurance	3.121.	It is important that proportionality is applied here, so separate calculations are only required above a materiality threshold, for example foreign claims on a domestic motor account (through green card usage)	See No 951
980.	ROAM	3.121.	*Note SDD – there's nothing in the original document either*	
981.	RSA Insurance Group PLC	3.121.	Proportionality should be considered when dealing with obligations in different currencies to avoid over engineering of process to deal with liabilities in currencies with immaterial impact	See No 951

982.	RSA Insurance Ireland Ltd	3.121.	Proportionality should be considered when dealing with obligations in different currencies to avoid over engineering of process to deal with liabilities in currencies with immaterial impact	See No 951
983.	RSA - Sun Insurance Office Ltd.	3.121.	Proportionality should be considered when dealing with obligations in different currencies to avoid over engineering of process to deal with liabilities in currencies with immaterial impact	See No 951
984.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.121.	Proportionality should be considered when dealing with obligations in different currencies to avoid over engineering of process to deal with liabilities in currencies with immaterial impact	See No 951
985.	XL Capital Ltd	3.121.	“The best estimate should be calculated separately for obligations of different currency.” This seems unnecessarily restrictive and would be burdensome to apply. A level of flexibility should be allowed so that the calculation could be dome using a bucket of currencies and the results reported/allocated by material currencies.	See No 951
986.	Federation of European Accountants (FEE)	3.127.	Options are obligations, which allow the counterparty to choose between different paths of cash flows, which each result in a guarantee. From an accounting perspective, it is necessary to identify whether the execution of the option is part of the current contract or creates a new contract. If an option requires the consent of the insurer or the resulting rights can be significantly influenced by the insurer, those options might not be included in the initial contract but possibilities to extent bilaterally the existing contract by a second contractual agreement. Legally, any need to consent about execution of an option is actually a new agreement. Furthermore, the current stage of the IASB project considers only those renewals or contract modifications, of which the terms and conditions are contractually pre-determined, i.e. do not require again the consent of the parties.	Noted

987.	Groupe Consultatif	3.130.	It should be made clear that this will apply to non-life business	Not agreed Requirement must be general.
988.	PricewaterhouseCoopers LLP	3.131.	The principles of materiality and proportionality should be applied in the identification, assessment of risk drivers (for frequency and "moneyness") and valuation of options and guarantees (including the split between intrinsic and time value). Therefore simplifications on these grounds should be permitted. This comment also refers to 3.132-49.	Not agreed Simplification is not part of this CP
989.	PricewaterhouseCoopers LLP	3.131.	The principles of materiality and proportionality should be applied in the identification, assessment of risk drivers (for frequency and "moneyness") and valuation of options and guarantees (including the split between intrinsic and time value). Therefore simplifications on these grounds should be permitted. This comment also refers to 3.132-49.	See No 988
990.	PricewaterhouseCoopers LLP	3.132.	See comments in 3.131	
991.	PricewaterhouseCoopers LLP	3.132.	See comments in 3.131	
992.	PricewaterhouseCoopers LLP	3.133.	See comments in 3.131	
993.	PricewaterhouseCoopers LLP	3.133.	See comments in 3.131	
994.	PricewaterhouseCoopers LLP	3.134.	See comments in 3.131	
995.	PricewaterhouseCoopers LLP	3.134.	See comments in 3.131	
996.	Pricewaterhou	3.135.	See comments in 3.131	

	seCoopers LLP			
997.	Pricewaterhou seCoopers LLP	3.135.	See comments in 3.131	
998.	AMICE	3.136.	Typo: Without prejudice CEIOPS advice in Concsultation Consultation paper 26	Agreed See revised text
999.	Association of British Insurers	3.136.	There may be numerous occasions, particularly for non-life business and for life business without the existence of options and guarantees, for which the most appropriate method would be the simplest i.e. there should be no automatic requirement for stochastic methodology across all business lines.	Agreed See revised text
1,000.	CEA, ECO-SLV-09-433	3.136.	The order of preference should be subject to proportionality. ☐ The CEA suggests that “Without prejudice Ceiops advice in” is replaced by “Subject to proportionality and without prejudice to Ceiops advice in”.	Not agreed Simplifications are not part of this CP
			However, as highlighted in our response to CP26, there may be numerous occasions, particularly for non-life business and for life business without the existence of options and guarantees, for which the most appropriate method would be the simplest i.e. there should be no automatic requirement for stochastic methodology and the insurer should not have to satisfy the principle of proportionality before deterministic methods can be used.	See No 999
1,001.	Groupe Consultatif	3.136.	We suggest that rather than define a prescriptive order of preference in legislation, it would be better to envisage a professional standard requiring the actuarial function to explain the judgement underlying the selection of the method used (analogous to a physician explaining why a particular medicine is prescribed.)	Agreed See revised text.
1,002.	International Underwriting	3.136.	Stochastic modelling is also noted as being the preferred option for modelling contractual options and financial guarantees. We note	Agreed

	Association of London		that whilst CEIOPS may deem it preferable, it will not be appropriate in all cases due the cost and the resource intensity of undertaking such modelling. We would also question whether stochastic modelling would be appropriate for non-life insurance, given that volumes of credible data available may be lower; consequently, in such cases deterministic approaches may be equally valid. We would oppose any requirement or automatic expectation that stochastic modelling should be applied. We would anticipate that firms (with justification) should be able to choose a method they see as most appropriate.	See revised text.
1,003.	PEARL GROUP LIMITED	3.136.	There may be occasions, e.g. for life business without the existence of options and guarantees, for which the most appropriate method would be the simplest i.e. there should be no automatic requirement for stochastic methodology and the insurer should not have to satisfy the principle of proportionality before deterministic methods can be used.	Agreed See revised text.
1,004.	Pricewaterhou seCoopers LLP	3.136.	See comments in 3.131	
1,005.	Pricewaterhou seCoopers LLP	3.136.	See comments in 3.131	
1,006.	XL Capital Ltd	3.136.	This paragraph lists three valuation methodologies “in decreasing order of preference” and clearly places a stochastic approach first. We disagree with this as, for much non-life business, the most appropriate method would be deterministic and not stochastic.	Agreed See revised text.
1,007.	ACA – ASSOCIATION DES COMPAGNIES D’ASSURANCE S DU	3.137.	The combination for valuation purposes of stochastic non-financial risks and stochastic financial risks is from an IT/mathematical point of view not very realistic and might lead to heavy investments with low value added in terms of valuation/risk management.	Noted

1,008.	CRO Forum	3.137.	It may be onerous for firms to allow for stochastic features of non-financial risks. For example, allowing for stochastic mortality when assessing annuity guarantees is likely to be very onerous for many firms	Noted
1,009.	Groupe Consultatif	3.137.	It is necessary to add a paragraph that defines the investment and reinvestment assumptions (run-off / ongoing) to be considered in projections.	Noted
1,010.	Institut des actuaires (France)	3.137.	It is necessary to add a paragraph that defines the investment and reinvestment assumptions (run-off / ongoing) to be considered in projections.	See No 1009
1,011.	Pricewaterhou seCoopers LLP	3.137.	See comments in 3.131	
1,012.	Pricewaterhou seCoopers LLP	3.137.	See comments in 3.131	
1,013.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCE S DU	3.138.	Guidance on the scenarios to be used will be required.	Not agreed Guidance is not part of this CP.
1,014.	CEA, ECO-SLV-09-433	3.138.	Guidance will be needed on how to choose the range of scenarios and assign probability weights. Without guidance companies may mistakenly ascribe real world probabilities and therefore understate the cost of guarantees and financial options.	See No 1013
1,015.	CRO Forum	3.138.	"…. These probabilities of occurrence should be weighted towards adverse scenarios to reflect market pricing for risk…." This would lead to too prudent estimates of the technical	Not agreed This would lead to best estimate.

			provisions. All scenarios (including adverse scenarios) need to be taken into account with equal weighting.	
1,016.	Pricewaterhou seCoopers LLP	3.138.	See comments in 3.131	
1,017.	Pricewaterhou seCoopers LLP	3.138.	See comments in 3.131	
1,018.	Pricewaterhou seCoopers LLP	3.139.	See comments in 3.131	
1,019.	Pricewaterhou seCoopers LLP	3.139.	See comments in 3.131	
1,020.	Groupe Consultatif	3.140.	We presume that something like 'when in the money' is intended at the end of this. These issues should be dealt with in the Level 3 Guidance (cf 3.149 and 3.257)	Agreed See revised text. Noted
1,021.	Institut des actuaires (France)	3.140.	These issues should be dealt with in the Level 3 Guidance (cf 3.149 and 3.257)	See No 1020
1,022.	Lucida plc	3.140.	We agree that assumptions relating to policyholder behaviour should be founded in statistical and empirical evidence. This comment also relates to 3.148	Noted
1,023.	Pricewaterhou seCoopers LLP	3.140.	See comments in 3.131	
1,024.	Pricewaterhou seCoopers LLP	3.140.	See comments in 3.131	
1,025.	CEA, ECO-SLV-09-	3.141.	See comments to Para 3.149.	

	433			
1,026.	German Insurance Association – Gesamtverband der D	3.141.	See comments to Para 3.149.	
1,027.	Lucida plc	3.141.	We agree that evidence of the independence of policyholder behaviour is necessary for that independence to be assumed. This comment also relates to 3.149	Noted
1,028.	PricewaterhouseCoopers LLP	3.141.	See comments in 3.131	
1,029.	PricewaterhouseCoopers LLP	3.141.	See comments in 3.131	
1,030.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.142.	What if an option exists but has never been exercised? Here again, it should be referred to the principle of materiality.	Not agreed Simplifications are not part of this CP
1,031.	Association of British Insurers	3.142.	This could be quite difficult to apply as there could be a tail of option provisions. We therefore believe this should be based on materiality.	Not agreed Simplifications are not part of this CP
1,032.	Association of Friendly Societies	3.142.	We think it may be difficult to guarantee that all options are identified. We would suggest that you should change this text to "Insurers are required to make all efforts necessary to identify…."	Not agreed Insurer should be able to identify all options and guarantees.
1,033.	CEA, ECO-SLV-09-	3.142.	The principle of proportionality and materiality should apply. We agree in principle with the approach proposed by Ceiops	See No 1030

	433		(identification of all contractual options and financial guarantees embedded in contracts), nevertheless, common practice would suggest the adoption of more simplified methods. ☐ We therefore believe this requirement should be based on proportionality and materiality.	
1,034.	Danish Insurance Association	3.142.	In order to comply with the principle of proportionality it must be possible to take the complexity of the methods used to assess the best estimate into account - especially in relation to the value of financial guarantees and any contractual options. If the standard formula for SCR is used this calculation of the capital requirement is based on in some parts simplified parameters and methods. Therefore, requirements for very complex methods to calculate the best estimate provisions would only create an illusion of accuracy. The content of CP 39 does not seem to distinquise between companies using internal models and companies using the standard formula.	Noted
1,035.	European Insurance CFO Forum	3.142.	In line with our comments in 3.121, the identification of embedded options and guarantees should be subject to the principle of proportionality. The CFO Forum believes the principle of proportionality and materiality should be applied to the requirement to identify contractual options and financial guarantees in the contracts. Management options should also be identified. As options of the management, for example, the right to increase premium, may be used by the insurer at the management's discretion, we recommend the following amendment to the paragraph: "Insurers are required to identify all contractual options and financial guarantees embedded in their contracts. This includes options of the policyholder, but also management options of the undertaking."	See No 1030 Not agreed Management options are part of management actions

1,036.	German Insurance Association – Gesamtverband der D	3.142.	The principle of proportionality and materiality should apply We agree in principle with the approach proposed by CEIOPS (identification of all contractual options and financial guarantees embedded in contracts), nevertheless, common practice would suggest the adoption of more simplified methods. Valuation of options and guarantees is not restricted to options of the policyholder but also options of the company. The two sides cannot be separated. Therefore add: "This includes options of the policyholder, but also management options of the undertaking"	See No 1030 See No 1035
1,037.	Groupe Consultatif	3.142.	We think it may be difficult to guarantee that all options are identified. We would suggest that you should change this text to "Insurers are required to make all efforts necessary to identify…."	See No 1032
1,038.	Investment & Life Assurance Group (ILAG)	3.142.	We think it may be difficult to guarantee that all options are identified. We would suggest that you should change this text to "Insurers are required to make all efforts necessary to identify…."	See No 1032
1,039.	Just Retirement Limited	3.142.	This requirement should be modified to allow for materiality, eg "…all material options and financial guarantees…". Expert judgement in defining such options and guarantees should also be allowed for.	See No 1030
1,040.	Munich RE	3.142.	The principle of proportionality and materiality should apply.	See No 1030
1,041.	OAC Actuaries and Consultants	3.142.	We think it may be difficult to guarantee that all options are identified. We would suggest that you should change this text to "Insurers are required to make all efforts necessary to identify…."	See No 1032
1,042.	PEARL GROUP LIMITED	3.142.	We believe this should be based on materiality.	See No 1030
1,043.	PricewaterhouseCoopers LLP	3.142.	See comments in 3.131	

1,044.	Pricewaterhou seCoopers LLP	3.142.	See comments in 3.131	
1,045.	RBS Insurance	3.142.	It is important to apply proportionality where these policies form a small part of the portfolio.	See No 1030
1,046.	XL Capital Ltd	3.142.	Proportionality and materiality should be applied here.	See No 1030
1,047.	European Insurance CFO Forum	3.143.	The CFO Forum requests guidance as to what should be considered to be a "sufficiently large range of scenarios".	Not agreed Guidance are not part of this CP.
1,048.	FFSA	3.143.	CEIOPS states that for each type of contractual options, insurers are required to identify the risk drivers which have the potential to materially affect the frequency of take up rates considering a sufficiently large range of scenarios, including adverse ones. FFSA notes that it may be important to define what CEIOPS mean by "a sufficiently large range of scenarios".	See No 1047
1,049.	Groupe Consultatif	3.143.	The materiality principle has to be applied.	Not agreed Simplification is not part of this CP
1,050.	Pricewaterhou seCoopers LLP	3.143.	See comments in 3.131	
1,051.	Pricewaterhou seCoopers LLP	3.143.	See comments in 3.131	
1,052.	CEA, ECO-SLV-09-433	3.144.	See comment to Para 3.143	
1,053.	European Insurance CFO Forum	3.144.	Comments in 3.143 are also relevant here.	

1,054.	Pricewaterhou seCoopers LLP	3.144.	See comments in 3.131	
1,055.	Pricewaterhou seCoopers LLP	3.144.	See comments in 3.131	
1,056.	Association of British Insurers	3.145.	The requirement that the best estimate of options and financial guarantees must capture the uncertainty of cashflows from multiple scenarios would be inconsistent with the definition of best estimate for some options, for example the option to lapse a policy.	Not agreed Article 76(1) "best estimate shall correspond to probability weighted average cash-flows" which indicate that uncertainty of cash-flows should be captured.
1,057.	CRO Forum	3.145.	Contractual options and financial guarantees: we agree in principle with the approach proposed by CEIOPS (identification of all contractual options and financial guarantees embedded in contracts and capture the uncertainty of cash flows) that appears to be reasonable. We also agree with the implicit materiality principle expressed in 3.144, nevertheless the common practice would suggest the adoption of more simplified methods.	Noted
1,058.	Dutch Actuarial Society – Actuarieel Genootschap (	3.145.	The proportionality principle may be mentioned in the advice. For example by the same the reference to CP26 as in 3.136.	Not agreed Simplification is not part of this CP
1,059.	Legal & General Group	3.145.	The requirement that the best estimate of options and financial guarantees must capture the uncertainty of cashflows from multiple scenarios would be inconsistent with the definition of best estimate for some options, for example the option to lapse a policy.	See No 1056
1,060.	Pricewaterhou seCoopers LLP	3.145.	See comments in 3.131	
1,061.	Pricewaterhou	3.145.	See comments in 3.131	

	seCoopers LLP			
1,062.	Pricewaterhou seCoopers LLP	3.146.	See comments in 3.131	
1,063.	Pricewaterhou seCoopers LLP	3.146.	See comments in 3.131	
1,064.	AMICE	3.147.	When the valuation of the best estimate of contractual options and financial guarantees is not being done on a policy-by-policy basis, segmentation criteria should not be included in the Level 2 Implementing Measures.	Not agreed This is not segmentation cineraria but part of methodology
1,065.	Association of Friendly Societies	3.147.	We suggest that there should be added "Any cross subsidies existing between policies can be allowed for as long as the allowance is reasonable and makes proper allowance for potential policyholder behaviour in extreme scenarios."	Not agreed There should be no subsidies between "in-the-money" and "out-of-money" policies
1,066.	CEA, ECO-SLV-09-433	3.147.	The separation of in and out of the money could be taken too literally and as such would be burdensome. See comments to Para 3.109 (point b). ☐ The CEA recommends that "are "in the money"" is replaced with "are significantly "in the money"" and similarly for out of the money guarantees. This requirement should refer to model points, rather than segments.	Not agreed Simplifications are not part of this CP

			We do agree that different model points should be used for projecting "in the money" and "out of the money" options. However, the valuation may be only available at a higher level due to the management rules of the company. For example the existence of cross financing options may mean that the liability can only be expressed on a group of policies that includes both "in the money" and "out of the money" options. This section refers to the segmentation of the valuation and not model points - this needs to be changed. ☐ We propose that the text is adjusted as follows: "…should not inappropriately distort the underlying risks. For example, subject to the management rules, a distortion may arise by forming groups containing policies which are significantly "in the money" and policies which are significantly "out of the money". However the segmentation for the valuation also needs to allow to adequately value management rules"	Agreed See revised text
1,067.	European Insurance CFO Forum	3.147.	Due to management rules of the company and, for example, cross financing options, often the liability can only be expressed on a group of policies that do include "in the money" and "out of the money" policies. It is appropriate that they are projected in different model-points; nevertheless the result of the valuation may be only available on a higher level. Since 3.147 talks about segmentation of the valuation and not about model points this needs to be clarified. The CFO Forum, therefore recommends that the paragraph is amended as follows, "When the valuation of the best estimate of contractual options and financial guarantees is not being done on a policy-by-policy basis, the segmentation considered should not inappropriately distort the underlying risks, which could be the case by forming groups containing policies which are 'in the money' and policies which are 'out of the money'. Where such different policies are managed together, for example based on one fund of assets,	See No 1066

			sharing the same liability buffers, or where cross subsidization is allowed, the risk would be distorted, if the segmentation would not allow for a fair reflection of the strong interdependence of the policies.”	
1,068.	Groupe Consultatif	3.147.	We suggest that there should be added “Any cross subsidies existing between policies can be allowed for as long as the allowance is reasonable and makes proper allowance for potential policyholder behaviour in extreme scenarios.”	See No 1065
1,069.	Investment & Life Assurance Group (ILAG)	3.147.	We suggest that there should be added “Any cross subsidies existing between policies can be allowed for as long as the allowance is reasonable and makes proper allowance for potential policyholder behaviour in extreme scenarios.”	See No 1065
1,070.	OAC Actuaries and Consultants	3.147.	We suggest that there should be added “Any cross subsidies existing between policies can be allowed for as long as the allowance is reasonable and makes proper allowance for potential policyholder behaviour in extreme scenarios.”	See No 1065
1,071.	Pricewaterhou seCoopers LLP	3.147.	See comments in 3.131	
1,072.	Pricewaterhou seCoopers LLP	3.147.	See comments in 3.131	
1,073.	ACA – ASSOCIATION DES COMPAGNIES D’ASSURANCE S DU	3.148.	Assessment of policyholder behaviour sometimes can be based on very few statistics and can be influenced by expert judgment. Therefore, we underline the need for flexibility and pragmatism from control authorities and auditors.	Noted
1,074.	AMICE	3.148.	AMICE members object to CEIOPS´s suggestion to assess experience of policyholders’ behaviour only when an option is “in the money”.	Not agreed It should also be assessed when it is out of the money

			We think that this could lead to very burdensome and non-robust methodologies. Moreover, policyholders do not usually know if their policy is "in" or "out of the money". His/her behaviour is more influenced by commercial, fiscal, or profit sharing reasons. We suggest the second part of this paragraph be removed.	Noted
1,075.	Association of British Insurers	3.148.	Also covers 3.149 This will also need to be applied with flexibility and firms should also be able to use some judgment in this respect as statistical data might not be sufficient to get a view on policyholder behaviour. We believe this should be aligned with the requirements for internal models as set out in CP 56. In addition, actual data on policyholder behaviour may show irrational behaviour as there are many drivers of policyholder behaviour such as levels of disposable income, potential demutualisation payments etc. Therefore, it would not be sensible to take too much credit for irrational policyholder behaviour hence reducing technical provisions. This paragraph will need to be applied with flexibility and will need to acknowledge that this is likely to be an area where expert judgement will be important and just relying on actual data will be insufficient.	Not agreed The requirements implicitly include expert judgement.
1,076.	CEA, ECO-SLV-09-433	3.148.	We request a re-wording of this section in order to ensure the requirements are clear. We have interpreted Ceiops' advice as meaning that option take-up rates when options are out of-the-money or just in-the-money are not a sensible guide for what they'd be if the options were heavily in-the-money. We would agree with the requirement although: ☐ We request that the following is added to the second sentence in order to make the requirements clear: "should not necessarily be considered to be a reliable indication of likely policyholders' behaviour when the options are heavily in-the-	Agreed See revised text

			money."	
1,077.	CRO Forum	3.148.	The assessment of policyholder behaviour need to be applied with flexibility. Firms should be able to use judgment as statistical data might not be sufficient to get a reliable view.	See No 1075
1,078.	Federation of European Accountants (FEE)	3.148.	If consideration of irrational behaviour is permitted in measurement, the amount of potential losses arising assuming rational behaviour is reduced but an additional quality of risk, namely irrationality, is added. Irrationality is not a financial risk but merely a cumulative risk, since it may result in mass phenomena. Irrationality is not statistically describable and not explainable through market theory. Therefore significant guidance is needed to ensure a robust and comparable measurement of irrationality within the margins as well. This comment also applies to paragraph 3.159.	Not agreed Irrational behaviour which result in mass phenomena is not part of best estimate
1,079.	FFSA	3.148.	CEIOPS states that, regarding contractual option, related assumptions on policyholder's behaviour should be supported and evidenced through experience studies. CEIOPS also states that those studies are reliable only when those options are "in the money". FFSA would like to question the CEIOPS suggestion to assess experience on policyholder's behaviour only when an option is "in the money". We think that it could lead to very burdensome and non-robust methodologies. Moreover, the policyholder usually does not know if its policy is in or out the money. Its behaviour is more impacted by commercial, fiscal, or profit sharing reasons. FFSA suggests removing the second part of this paragraph.	See No 1074
1,080.	Groupama	3.148.	Groupama would like to question the CEIOPS suggestion of assessing experience of policyholder's behaviour only when an option is "in the money". We think that it could lead to very onerous and unsound methodologies. Moreover, the policyholder usually does not know if its policy is in or out of the money. Its	See No 1074

			behaviour is more impacted by commercial, fiscal, or profit-sharing reasons. We suggest that the second part of this paragraph be removed.	
1,081.	Groupe Consultatif	3.148.	See 3.140 above	
1,082.	KPMG ELLP	3.148.	If consideration of irrational behaviour is permitted in measurement, the amount of potential losses arising assuming rational behaviour is reduced but an additional quality of risk, namely irrationality, is added. Irrationality is not a financial risk but merely a cumulative risk, since it may result in mass phenomena. Irrationality is not statistically describable and not explainable through market theory. Therefore significant guidance is needed to ensure a robust and comparable measurement of irrationality within the margins as well.	See No 1078
1,083.	Munich RE	3.148.	The last sentence could be completed by "under different circumstances".	Agreed See revised text.
1,084.	PEARL GROUP LIMITED	3.148.	This will need to be applied with flexibility and we should also be able to use expert judgment in this respect as statistical data might not be sufficient to get a view on policyholder behaviour. We believe this should be aligned with the requirements for internal models as set out in CP 56.	See No 1075
1,085.	Pricewaterhou seCoopers LLP	3.148.	See comments in 3.131	
1,086.	Pricewaterhou seCoopers LLP	3.148.	See comments in 3.131	
1,087.	RBS Insurance	3.148.	This may be very hard to do. There may not be data available for policyholder behaviour in a stressed environment.	Noted
1,088.	AMICE	3.149.	Modelling the policyholder's behaviour in relation to the change in the insurer's solvency position is unfeasible in a stochastic	Not agreed

			environment. Furthermore, whereas the relationship between a policyholder's behaviour and profit sharing is clearly proven, the link between the policyholder and the insurer's solvency remains unclear. Since reputational risk and mass lapse event risk are treated in the SCR calculations, they should not be modelled for best estimate purposes. Additionally, this consideration could lead to pro-cyclical effects amplifying minor decreases in the insurer's solvency.	Changed financial position of the company could affect future policyholders' behaviour.
1,089.	Association of British Insurers	3.149.	Policyholders' changing behaviour under different future scenarios should be captured under the risk capital calculations and should not form part of the best estimate. So, for instance, the best estimate should not provide for an increase in the rate of lapse in the future scenario that the company's solvency is reduced. Further, any requirement to model policyholder behaviour should be kept simple as policyholder behaviour is very complex and can depend on many underlying drivers, only some of which lend themselves to statistical modelling.	Not agreed Changed financial position of the company could affect future policyholders behaviour
1,090.	CEA, ECO-SLV-09-433	3.149.	We do not support the requirements to take account of possible policyholder reactions to insurer insolvency. Ceiops considers that appropriate considerations should be given to policyholders' possible reactions to a reduced solvency of an undertaking. We disagree with the requirement. There are significant difficulties in implementing such a requirement and this would be heavily burdensome for insurers to carry out. Furthermore, whereas a relationship between the level of profit sharing and policyholder behaviour has been clearly proven, the link between policyholder behaviour and the insurer's solvency remains unclear. Reputation risk and mass lapse risk are already treated in the SCR - they do not have to be included and modelled for Best Estimate purpose. Also, in practice, undertakings would need to calculate the SCR	See No 1088

			before calculating the best estimate (as the best estimate needs to take account of reduced solvency) which would potentially involve a circular loop. ☐ We request that his section is removed.	
1,091.	CRO Forum	3.149.	Policyholders' behaviour should be assumed independent of financial markets unless proper evidence to support the assumption can be observed. The requirement proposed by CEIOPS would add a high degree of complexity and subjectivity, making the simulation less stable and reliable and, as a consequence, so too the final result. We request that this requirement is removed. CEIOPS considers that appropriate considerations should be given to policyholders' possible reactions to a reduced solvency of an undertaking. We disagree with the requirement. There are significant difficulties in implementing such a requirement and this would be heavily burdensome for insurers to carry out. Furthermore, it's not clear what the term "appropriate considerations" means therefore this requirement is not well defined and seems to leave too much room to discretion. We request that his section is removed.	See No 1088
1,092.	European Insurance CFO Forum	3.149.	The requirements include reputation risk, which is not to be assessed according to the level 1 Directive. The CFO Forum does not view policyholders' actions to be fully correlated to the financial markets. The above requirement could be interpreted to include reputation risk. This is not to be assessed according to the level 1 Directive. Any requirement to model policyholder behaviour should be kept reasonable and tractable. Judgement is required to consider non-financial factors affecting policyholder behaviour, particularly where data is scarce.	Not agreed Changes in financial market could affect future policyholder behaviour.

			The CFO Forum recommends the following sentence to be added: "Where historic data are scarce, particularly for scenarios where the guarantee is in the money, judgment may be required to take into account non-financial factors relevant to policyholder. This may include tax advantages, rider benefits, underwriting cost or disadvantages when cancelling the policy."	
1,093.	FFSA	3.149.	CEIOPS considers that appropriate considerations should be given to future awareness of policyholders' possible reactions to a reduced solvency of an undertaking. FFSA strongly disagrees with CEIOPS to reflect in Best Estimate calculation policyholders' possible reaction to reduced solvency of the undertaking as this is pro cyclical and unlikely to be supported by robust experience analysis. Also, in practice, undertakings should calculate the SCR before calculating the best estimate which would potentially involve circular calculation FFSA considers that modelling the policyholder's behaviour in relation with the change in the insurer solvency position is unfeasible in a stochastic environment. Furthermore, whereas relation between policyholder's behaviour and profit sharing given is clearly proved, the link between the policyholder and the insurer's solvency remains unclear. Reputation risk and mass lapse event risk are treated in the SCR calculations, they do not have to be included and modelled for Best Estimate purpose. Moreover, that consideration could lead to pro-cyclical events and amplify without reason a small decrease of an insurer's solvency. FFSA believes that this section should be removed all together.	See No 1088
1,094.	German Insurance Association – Gesamtverban	3.149.	We do not support the requirements to take account of possible policyholder reactions to insurer insolvency.	Not agreed Changed financial position of the company could affect future policyholders behaviour

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1,095.	Groupama	3.149.	Modelling the policyholder's behaviour in relation to the change in the insurer's solvency position is unfeasible in a stochastic environment. Furthermore, whereas the relation between the policyholder's behaviour and the profit-sharing given is clearly proved, the link between the policyholder and the insurer's solvency remains unclear. Reputation risk and mass lapse event risk are treated in the SCR calculations and do not have to be included and modelled for Best Estimate purpose. Moreover, that consideration could lead to pro-cyclical events and unjustifiably amplify a small decrease in an insurer's solvency.	See No 1088
1,096.	Groupe Consultatif	3.149.	To be reconsidered when implementing level 3 measures: The policyholders' behaviour should not solely be seen as dependent on historical data. Therefore too strict links with the statistical or historical data may prove to be as inappropriate as harmful for it will be procyclical and ill-adapted to a change in the awareness of the situation of the undertaking on behalf of the policyholders. Yet, the choice of assumptions relating to the policyholder behaviour should be justified by the undertaking in front of the supervisory authority, using the actuarial function, as detailed in CP 33.	Noted
1,097.	Institut des actuaires (France)	3.149.	To be reconsidered when implementing level 3 measures: too strict links with the statistical or historical data may prove to be as inappropriate as harmful for it will be procyclical and ill-adapted to a change in the awareness of the situation of the undertaking on behalf of the policyholders. Yet, the choice of assumptions relating to the policyholder behaviour should be justified by the undertaking in front of the supervisory authority, using the actuarial function, as detailed in CP 33.	See No 1096
1,098.	Just Retirement Limited	3.149.	While we support the need to model policyholder behaviour realistically, we believe that potential future changes in policyholder behaviour are the province of the SCR rather than technical	Noted

			provisions.	
1,099.	Legal & General Group	3.149.	Policyholder's changing behaviour under different future scenarios should be captured under the risk capital calculations and should not form part of the best estimate. The best estimate should not provide, for example for an increase in the rate of lapse in the future scenario that the company's solvency is reduced.	Noted
1,100.	Munich RE	3.149.	We do not believe that policyholders act 100% rational to the financial markets. There also exist studies that state that especially lapse is mainly dependent on the personal situation of each policyholder and does not change materially with changing financial markets.	Noted
1,101.	PricewaterhouseCoopers LLP	3.149.	See comments in 3.131	
1,102.	PricewaterhouseCoopers LLP	3.149.	See comments in 3.131	
1,103.	ROAM	3.149.	CEIOPS considers that appropriate considerations should be given to future awareness of policyholders' possible reactions to a reduced solvency of an undertaking. Modelling the policyholder's behaviour in relation with the change in the insurer solvency position is unfeasible in a stochastic environment. Furthermore, whereas the relationship between policyholder's behaviour and profit sharing is clearly proven, the link between the policyholder and the insurer's solvency remains unclear. Since reputational risk and mass lapse event risk are treated in the SCR calculations, they should not be modelled for best estimate purposes. Additionally, this consideration could lead to pro-cyclical effects and amplifying minor decreases in the insurer's solvency.	See No 1088
1,104.	Association of	3.150.	This paragraph seems to require non-financial guarantees to be	Not agreed

	British Insurers		valued in a similar manner to financial guarantees? If so, there is likely to be double counting as the risk margin captures the cost of capital amount for the relevant risk e.g. underwriting risk. Also, in practice there is seldom reliable data with which to calibrate the stochastic processes needed for this and hence why the risk margin approach is used. Therefore we would request clarification as to what CEIOPS would require and suggest that as well as the above considerations, materiality should also be considered in this context. A particular difficulty may arise in trying to assign financial values to non financial guarantees and it is not clear what is intended under such circumstances.	Some contracts include also non-financial guarantees driven by the evolution of non-financial variables.
1,105.			Confidential comment deleted.	
1,106.	CEA, ECO-SLV-09-433	3.150.	It is not clear what is meant or required by this and it may involve double counting. This paragraph seems to require non-financial guarantees to be valued in a similar manner to financial guarantees? If so, there is likely to be double counting as the risk margin captures the cost of capital amount for the relevant risk e.g. underwriting risk. Also, in practice there is seldom reliable data with which to calibrate the stochastic processes needed for this and hence why the risk margin approach is used. Therefore difficulty may arise in trying to assign financial values to non-financial guarantees and it is not clear what is intended under such circumstances. ☐ We suggest that this paragraph is deleted.	See No 1104
1,107.	European Insurance CFO Forum	3.150.	CEIOPS should clarify what constitutes "non-financial guarantees" and provide further details of the definition of materiality in this context.	See No 1104
1,108.	FFSA	3.150.	CEIOPS outlines that when material, non-financial guarantees	See No 1104

			should be treated like financial guarantees. FFSA would like clarification on this statement.	
1,109.	Groupe Consultatif	3.150.	This would appropriately be expanded in professional standards.	Noted
1,110.	Munich RE	3.150.	The advice should elaborate a little bit more on non-financial guarantees and the definition of materiality in this context.	See No 1104
1,111.	PEARL GROUP LIMITED	3.150.	This paragraph seems to require non-financial guarantees to be valued in a similar manner to financial guarantees? If so, there is likely to be double counting as the risk margin captures the cost of capital amount for the relevant risk e.g. underwriting risk. Also, in practice there is seldom reliable data with which to calibrate the stochastic processes needed for this and hence why the risk margin approach is used. Therefore we would request clarification as to what CEIOPS would require and suggest that as well as the above considerations, materiality should also be considered in this context.	See No 1104
1,112.	Pricewaterhou seCoopers LLP	3.150.	We assume that, where not material, approximate methods can be used for non-financial guarantees.	Noted
1,113.	Pricewaterhou seCoopers LLP	3.150.	We assume that, where not material, approximate methods can be used for non-financial guarantees.	See No 1112
1,114.	ROAM	3.150.	CEIOPS outlines that when material, non-financial guarantees should be treated like financial guarantees. ROAM would like clarification on this statement.	See No 1104
1,115.	Dutch Actuarial Society – Actuarieel Genootschap (	3.151.	Determination and quantification of non-financial guarantees (such as mentioned in 3.130) are quite subjective and therefore complicated. These guarantees may have large simularities with operational risks. We would like to emphasise that further development in this area is needed.	Noted

			Non-financial guarantees are often country-specific. Special attention should be paid to guarantee consistent methodologies across Europe (3.9.5).	
1,116.	Association of Friendly Societies	3.158.	It may not be possible to derive many statistics on policyholder behaviour in extreme circumstances. Judgement should be exercised as well.	Agreed See revised text.
1,117.	Groupe Consultatif	3.158.	It may not be possible to derive many statistics on policyholder behaviour in extreme circumstances. Judgement should be exercised as well.	See No 1116
1,118.	Investment & Life Assurance Group (ILAG)	3.158.	It may not be possible to derive many statistics on policyholder behaviour in extreme circumstances. Judgement should be exercised as well.	See No 1116
1,119.	OAC Actuaries and Consultants	3.158.	It may not be possible to derive many statistics on policyholder behaviour in extreme circumstances. Judgement should be exercised as well.	See No 1116
1,120.	KPMG ELLP	3.159.	See 3.148.	
1,121.	Lucida plc	3.160.	We do not concur with the views in this paragraph. Attention should be given to the 'moneyness' of the option when past behaviour is considered, and that behaviour will be relevant in the future depending on the future 'moneyness'. This comment also applies to 3.167	Agreed See revised text.
1,122.	Pricewaterhou seCoopers LLP	3.162.	The current wording could be interpreted to mean that the impact of the policyholders' behaviour within the best estimate liabilities should be identified separately. We do not believe that this was the intention of the wording and recommend that the terminology is amended to reflect this.	Agreed
1,123.	Pricewaterhou seCoopers LLP	3.162.	The current wording could be interpreted to mean that the impact of the policyholders' behaviour within the best estimate liabilities	See No 1122

			should be identified separately. We do not believe that this was the intention of the wording and recommend that the terminology is amended to reflect this.	
1,124.			Confidential comment deleted.	
1,125.	CEA, ECO-SLV-09-433	3.163.	We suggest this paragraph is re-worded. Ceiops states that undertakings are required to identify policyholders' behaviour. The wording of the paragraph may lead one to conclude that the impact of policyholders' behaviour should be identified separately within the Best Estimate. ☐ We suggest that the paragraph be rephrased as follows: "Undertakings are required to take policyholders' behaviour into account".	Not agreed You need to identify policyholders' behaviour first if you wont to take it into account.
1,126.	European Insurance CFO Forum	3.163.	Current wording could be interpreted to mean that the component of policyholders' behaviour within the technical provisions needs to be shown separately. The CFO Forum sees no benefit in doing so. The current wording could be interpreted to mean that the impact of the policyholders' behaviour within the best estimate of the technical provisions is to be identified separately. We see no benefit in doing this. The CFO Forum recommends the following rephrasing: "Undertakings are required to take into account policyholders' behaviour" in order to be consistent with 3.152 namely "Undertakings are required to analyse policyholders' behaviour with respect to the likelihood that they will exercise the options."	See No 1125
1,127.	German Insurance Association – Gesamtverban	3.163.	We suggest this paragraph is re-worded: CEIOPS states that undertakings are required to identify policyholders' behaviour. The wording of the paragraph may lead one to conclude that the impact of policyholders' behaviour should be identified separately within	See No 1125

	d der D		the Best Estimate. We suggest that the paragraph be rephrased as follows: "Undertakings are required to take policyholders' behaviour into account".	
1,128.	Groupe Consultatif	3.163.	Expert judgement is required here.	Not agreed This is general requirement.
1,129.	RBS Insurance	3.163.	The requirement "Undertakings are required to identify policyholders' behaviour" is very broad, and it is not clear exactly what is needed to satisfy this. We believe the wording from the white text 3.152 may be clearer: "When valuing future cash-flows, future policyholders' behaviour should be taken into account, including surrender rates and paid-up rates." We assume this requirement is relating to life insurance – if so we believe this should be stated. We assume for life insurers that full policyholder details of 3.155 are NOT required.	See No 1125
1,130.	RBS Insurance	3.164.	The wording doesn't quite make sense. We understand this to mean if an option contained in the policy is exercised.	Agreed See revised text.
1,131.	CEA, ECO-SLV-09-433	3.165.	Appropriate statistical analysis may not be available to estimate policyholder behaviour. ☐ We request the following amendment: "Expectations should be founded on appropriate statistical analysis and on expert judgement."	Agreed See revised text.
1,132.	European Insurance CFO Forum	3.165.	The CFO Forum notes that in many cases data may be scarce and appropriate judgement of policyholder behaviour is required.	See No 1131
1,133.	German Insurance Association – Gesamtverband der D	3.165.	Appropriate statistical analysis may not be available to estimate policyholder behaviour. We request the following amendment: "Expectations should be founded on appropriate statistical analysis and on expert judgement."	See No 1131

1,134.	Groupe Consultatif	3.165.	Expert judgement is required here.	See No 1131
1,135.	RBS Insurance	3.165.	This is not always possible, for example where the data is not available. Suggest wording “Where possible, expectations should be founded on appropriate statistical analysis.”	Agreed See revised text.
1,136.	Association of British Insurers	3.167.	Policyholder behaviour should only be considered when the option information is available to him. For example, in decreasing term assurance policies, it may be beneficial for a policyholder to lapse a policy given the relationship of future premiums to benefits; however such information would not ordinarily be considered by the policyholder.	Not agreed
1,137.	CEA, ECO-SLV-09-433	3.167.	We understand Ceiops to be saying that experience might not be relevant if the moneyness of the guarantees changes significantly. We request that Ceiops clarifies this is the meaning they intended.	Agreed See revised text.
1,138.	Legal & General Group	3.167.	Policyholder behaviour should only be considered when the option information is available to him. For example, in decreasing term assurance policies, it may be beneficial for a policyholder to lapse a policy given the relationship of future premiums to benefits; however such information would not ordinarily be given to him.	See No 1136
1,139.	AMICE	3.168.	Modelling policyholder’s behaviour in relation to the change in the insurer´s solvency position is not feasible in a stochastic environment. Furthermore, whereas the relationship between a policyholder’s behaviour and profit sharing is clearly proven, the link between the policyholder and the insurer’s solvency remains unclear. Since	Agreed See revised text

			reputational risk and mass lapse event risk and also operational risk are treated in the SCR calculations, they should not be modelled for best estimate purposes. Finally, this consideration could lead to pro-cyclical effects and amplify tiny decreases in the insurer's solvency position.	
1,140.	Association of British Insurers	3.168.	Although we agree with this advice, we believe care will be needed to ensure that there is no double counting with the lapse risk scenario where one of the drivers of higher lapses will be the performance of the markets and hence will be (partly) reflected in the stress calibration.	Noted
1,141.	CEA, ECO-SLV-09-433	3.168.	See comments to Para 3.149.	
1,142.	FFSA	3.168.	CEIOPS stated that in identifying policyholders behavior appropriate consideration should be given for policyholders reactions to a reduced solvency position of the undertaking FFFSA strongly disagrees with CEIOPS to reflect in Best Estimate calculation policyholders' possible reaction to reduced solvency of the undertaking as this is pro cyclical and unlikely to be supported by robust experience analysis. Also, in practice, undertakings should calculate the SCR before calculating the best estimate which would potentially involve circular calculation FFFSA considers that modelling the policyholder's behaviour in relation with the change in the insurer solvency position is unfeasible in a stochastic environment. Furthermore, whereas relation between policyholder's behaviour and profit sharing given is clearly proved, the link between the policyholder and the insurer's solvency remains unclear. Reputation risk and mass lapse event risk are treated in the SCR calculations, they do not have to be included and modelled for Best Estimate purpose.	See No 1139

			Moreover, that consideration could lead to pro-cyclical events and amplify without reason a small decrease of an insurer's solvency.	
1,143.	German Insurance Association – Gesamtverband der D	3.168.	See comments to Para 3.149.	
1,144.	Groupama	3.168.	Modelling the policyholder's behaviour in relation with the change in the insurer solvency position is unfeasible in a stochastic environment. Furthermore, whereas relation between policyholder's behaviour and profit sharing given is clearly proved, the link between the policyholder and the insurer's solvency remains unclear. Reputation risk and mass lapse event risk are treated in the SCR calculations, they do not have to be included and modelled for Best Estimate purpose. Moreover, that consideration could lead to pro-cyclical events and amplify without reason a small decrease of an insurer's solvency.	See No 1139
1,145.	ROAM	3.168.	CEIOPS stated that in identifying policyholders behavior appropriate consideration should be given for policyholders reactions to a reduced solvency position of the undertaking Modelling policyholder's behaviour in relation to the change in the insurer's solvency position is not feasible in a stochastic environment. Furthermore, whereas the relationship between policyholder's behaviour and profit sharing given is clearly proven, the link between the policyholder and the insurer's solvency remains unclear. Since reputational risk and mass lapse event risk and also operational risk are treated in the SCR calculations, they should not be modelled for best estimate purposes. Finally, this consideration could lead to pro-cyclical effects and	See No 1139

			amplify tiny decreases in the insurer's solvency position.	
1,146.	CEA, ECO-SLV-09-433	3.169.	See comments to Para 3.149.	
1,147.	German Insurance Association – Gesamtverband der D	3.169.	See comments to Para 3.149.	
1,148.	Groupe Consultatif	3.169.	The policyholders' behaviour should not solely be seen as dependent on historical data. Expert judgement is required here.	Not agreed This is general postulate.
1,149.	Association of British Insurers	3.170.	We agree future management actions should be reflected in the cash-flows.	Noted
1,150.	CEA, ECO-SLV-09-433	3.170.	We agree future management actions should be reflected in the cash-flows.	See No 1149
1,151.	Lucida plc	3.170.	We agree that future management actions should be reflected in the cashflows	See No 1149
1,152.	PEARL GROUP LIMITED	3.170.	We agree future management actions should be reflected in the cash-flows.	See No 1149
1,153.	Federation of European Accountants (FEE)	3.171.	The definitions in 3.180 may be unnecessarily complex in its application. Whereas the definition and the following guidance to calculate the best estimate may be suitable for some kind of products, there exists a wide group of contracts with participating features, that fall under the definition of "conditional discretionary benefits" but for which the level of discretion is of negligible relevance. According to the principle of substance over form, such	Noted

			contracts should be treated in the same way as a contract without any discretion (e.g. a unit-linked contract). The Paper lacks guidance on the treatment of an enforceable obligation to forward a specific share of surplus to policyholders. Many insurance contracts contain both benefits that are subject to an enforceable obligation to forward specific parts of surplus to policyholders, and benefits that are entirely voluntary, in an additive manner. Other insurance contracts contain benefits that are based on an enforceable obligation to share policyholders in surplus, but the insurer might be able to execute some discretionary influence on that process. In all cases it is necessary to identify the economic substance of the features and to apply the correct approach. In order to do so, it needs to be investigated, what the reasoning of the insurer might be to pay more than apparently required or enforceable. The reasons might significantly affect the current exit value, depending whether they apply as well for the acquirer or not. This comment applies to paragraphs 3.171 to 3.182.	
1,154.	KPMG ELLP	3.171.	The discussion of "discretionary" benefits mixes discretionary features and participation features, which might, but need not appear in combination or addition but exist as well separately. Especially, each requires a different consideration in measurement. Therefore a carefully differentiation is necessary. Discretionary, voluntary and ex gratia benefits exist in many forms of insurance contracts, e.g. as well in non-life insurance, if insurers are used to settle claims generously in some cases beyond the legally required. They are paid for good business reasons and the payment decision is based on such considerations. Under a given management policy, it might be predictable, which amounts will be paid in future voluntarily until that policy is changed. Participating features are (legal) obligations to forward specific	Not agreed Discretionary bonus is a generic term for discretionary features and participating features

			parts of the surplus or performance to policyholders; they at least exclude some parts of the surplus from the amounts which might inure to the benefit of the insurer as they are to be used to bonus payments to policyholders. Similar cases exist in mutuals, car insurance but as well in other features varying the contractual cash flows, like premium adjustment clauses, based on a disadvantageous development of the performance, etc., both in life and non-life. Purpose of such features is to reduce the risk to be born by the insurer. In some jurisdictions, the legal situation is to some extent unclear since additional bonus payments appear to be discretionary in absence of a clear legislation or contractual stipulations. However, legal concepts like "policyholders' reasonable expectations" might nevertheless legally enforce a certain level of bonuses. In other jurisdictions, there is no possibility of policyholders to force entities to pay bonuses in a certain extent but regulators might intervene if bonus payments appear inappropriate; since consequently all insurers behave properly, such interventions might never have been observed. Further, in some jurisdictions, contracts contain both, participation and discretionary features, partly additive (i.e. some amounts are paid as legally required and parts on top voluntarily for marketing reasons), partly does the participation process include to some extent discretion of the insurer. It is necessary to identify the actual trigger of a payment to consider its economic substance, i.e. whether it is a legal obligation or a management decision based on economic considerations (economic compulsion) and whether it creates risk, since it is a financial guarantee independent of insurer's performance, or whether it reduces risk, since it is a participation features, which simply returns parts of the surplus actually retained from premiums paid.	

			We recommend to split the entire text in a part dealing with actually discretionary benefits (voluntary and ex gratia benefits) and a part dealing with obligatory participating benefits, i.e. benefits which distribute a legally specified share in surplus to policyholders. For features which are combinations of both (typically in an additive manner, i.e. there is a fixed part and on top a discretionary part) both apply consequently. If participating features include a degree of discretion, it is to be determined what the substance of the feature is, discretionary or participating. Any financial guarantee, resulting from a feature, although it is named wrongly "discretionary" or "with-profit" needs to be identified and treated like any other financial guarantee. The definition of a "conditional discretionary benefit" may be replaced by that of "participating benefits", to be defined as any obligation to share policyholders in future surplus as defined in i)-iii), or more general in "performance variables of a group of contracts, which includes the contract". Relevant is, that the amounts cannot be distributed to the shareholder, but can be used to off-set future losses. The term "pure discretionary benefit" could be changed to "discretionary benefit". - Treatment of discretionary features: In case of discretionary benefits it is necessary to investigate for what purpose or economic reason the insurer provides payments without an obligation. To be in line with the current exit value concept, it is necessary to investigate further, whether those reasons hold as well for a potentially acquiring undertaking. The accounting perspective is that amounts paid for economic compulsion, i.e. for marketing reasons, must not be anticipated. However, if the favourable consequence of the economic consideration is as well considered in measurement, e.g. improved persistency, the related discretionary benefits need to be	

			considered for consistency. If the consequence is an improved new business, which is not anticipated, discretionary benefits are to be seen as future new business cost. It is very important to establish here guidance how to assess such intentions and which evidence is required to permit changes in such assumptions. - Treatment of participating features Participating benefits are often revocable only under severe and special circumstances, e.g. an overall loss of the entity, sometimes even requiring regulatory consent or approval. In such cases, it is actually an obligation, since it will never inure to the benefit of stockholders but it has as well an ability to replace capital, since it is loss absorbing. Consequently, an obligation to forward amounts to policyholders, which is revocable in case of losses, should be considered as part of technical provisions which replaces capital requirement as provided for in the level 1 guidance. The measurement of participating features should be made consistently with the recognized surplus. If the minimum guarantee is discounted using the risk-free interest rate, there will result a certain surplus, except if the guarantee is in the money. That surplus is an adequate basis to determine policyholders' share and that share is to be considered as obligation. The same applies for assumptions for mortality and administration, if policyholders share as well in those sources of surplus. There is consequently not normally a need for stochastic modelling since anything is deterministic (however, the margin may need to be determined considering possible variances). Only in cases, where the determination of policyholders' share depends on the size of surplus in connection with other features (i.e. the participating feature includes as well some financial guarantees, options or derivatives), stochastic modelling might be suitable. We understand that this approach is as well referred to in 3.187 of the CP.	

1,155.			Confidential comment deleted.	
1,156.	CRO Forum	3.174.	Reference is made to the IFRS4 definition of discretionary participation features. Advice should be extended to contracts with discretionary benefits that do not fall within the IFRS4 definition because the undertaking's discretion is unrestricted, for example US spread business	See No 1156
1,157.	Danish Insurance Association	3.179.	So far there is no international accounting standard on insurance contracts. We suggest that CEIOPS awaits the introduction of such a standard before CEIOPS lets standard setters influence on the definition of guaranteed and discretionary benefits. In particular such definitions should only reflect suggestions and considerations from accounting standards which are actually in force.	Noted
1,158.	FFSA	3.179.	The definition of conditional discretionary benefits (influenced by legal or contractual obligation, performance of underwriting funds) and pure discretionary benefits must be consistent with IFRS definition of discretionary participation features	Noted
1,159.	Pricewaterhou seCoopers LLP	3.179.	From a consistency perspective, it would be helpful to link the definition of conditional and pure discretionary benefit to the IFRS definition of "discretionary participation feature."	Noted
1,160.	Pricewaterhou seCoopers LLP	3.179.	From a consistency perspective, it would be helpful to link the definition of conditional and pure discretionary benefit to the IFRS definition of "discretionary participation feature."	See No 1159
1,161.	European Insurance CFO Forum	3.180.	Comments in 3.189 are also relevant here.	
1,162.	Pricewaterhou	3.180.	It would be helpful to have guidance (potentially in Level 3 text)	Not agreed

	seCoopers LLP		over the practical application of splitting discretionary benefits between "pure" and "conditional." For participating contracts in certain countries this is not an obvious split.	Guidance are not part of this CP.
1,163.	Pricewaterhou seCoopers LLP	3.180.	It would be helpful to have guidance (potentially in Level 3 text) over the practical application of splitting discretionary benefits between "pure" and "conditional." For participating contracts in certain countries this is not an obvious split.	See No 1162
1,164.	Belgian Coordination Group Solvency II (Assuralia/	3.181.	We have to confirm that most of the profit share rules for Belgian life insurance products are very "pure" discretionary. It means that most of the time (with exception for the segregated funds for which there is conditional discretionary benefits), the life insurers do not have any commitment about future profit shares to be attributed neither about the level of the profit share nor about the rule or method to calculate the possible future profit share.	Noted
1,165.	CEA, ECO-SLV-09-433	3.182.	"should be based" should replace "should based"	Agreed See revised text
1,166.	European Insurance CFO Forum	3.182.	The phrase "should based" should be replaced with "should be based".	See No 1165
1,167.	Munich RE	3.182.	"should be based" instead of "should based"	See No 1165
1,168.	Danish Insurance Association	3.186.	In Denmark the value of the discretionary bonuses is calculated as a residual between the best estimate plus risk margin and the total value of assets belonging to the policyholders. The technical result every year for with-profit policies is distributed between the owners and the policyholders (as a group) according to rules that are specified and publicised in advance. These rules are part of what we call the Contribution principle. This implies that the total value of technical provisions is quite	Noted

			robust as to the use of rather complex versus simplified calculation methods when calculating the value of future discretionary bonuses when the best estimate calculation has been performed. It should be possible to use sophisticated models, however, it should not be a requirement in itself.	
1,169.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.189.	Assessment of management behaviour with respect to profit sharing sometimes can be based on very few statistics and requires expert judgment. Therefore, we underline the need for flexibility and pragmatism from control authorities and auditors.	Not agreed This paragraph only defines different types of benefits.
1,170.	AMICE	3.189.	AMICE agrees with the suggested definition of future benefits. However, as it is unclear in the CP, we should not be asked to split our Best Estimate into each kind of future benefits. Indeed, as some elements are easily calculable, such as the total amount of discretionary benefits is very demanding without any impact on the solvency level.	Noted
1,171.	Association of British Insurers	3.189.	Whilst we agree with the broad objective of distinguishing different types of benefit, we think country specific guidance would be helpful as it is not entirely clear where future regular and final bonuses would be categorised for UK With Profits Business.	Noted
1,172.			Confidential comment deleted.	
1,173.	CEA, ECO-SLV-09-433	3.189.	The definitions may not be suitable for all product types. Ceiops has identified three different concepts for discretionary benefits: "Guaranteed benefit", "Conditional discretionary benefit", "Pure discretionary benefit" - We suggest Ceiops allows company specific approach, as the proposed classification may not be suitable for all product types. Furthermore, the definition of a guaranteed benefit seems	Not agreed Guaranteed benefit cover payments that the company is contractually obliged to make and over which it has no discretion at the valuation date. Future payments which involve an

			inappropriate. We would have expected it to cover payments that the company is contractually obliged to make and over which it has no discretion. Some future payments may involve an element of discretion without taking the form of a discretionary bonus, e.g. profit sharing on group life and disability policies and reviewable term assurance products. Therefore, a definition of guaranteed benefits to be everything except for discretionary bonuses, would mean that some elements of discretion are included within the definition of guaranteed benefits. There should be no requirement to split discretionary benefits into separate classes. It is unclear in the text whether insurers will be asked to split their Best Estimate into each kind of future discretionary benefit? For something that would not impact on the solvency figures, this could prove a very demanding requirement, in particular to split "conditional discretionary benefits" and "pure discretionary benefits". This new set of extra calculations weighed against the extra information gained does not seem appropriate.	element of discretion without taking the form of a discretionary bonus, e.g. future profit sharing on group life and disability policies and reviewable term assurance products are not subject of guaranteed benefit at the valuation date. Agreed See revised text.
1,174.	CRO Forum	3.189.	Future Discretionary Benefits: CEIOPS correctly identified three different concepts for Benefits: "Guaranteed benefit", "Conditional discretionary benefit", "Pure discretionary benefit". The last one concepts introduce the need of valuating the impact of the management discretion in assigning Benefits. Such prediction insert an high level of subjectivity in the evaluation and a greater complexity in predicting different scenarios. We suggest CEIOPS to allow simpler and standard approach.	Not agreed Simplifications are not part of this CP

			We would also point out that for some types of business, technical provisions based on asset shares make allowance for both guaranteed and contractual discretionary benefits, and it may not be meaningful to split these components. We therefore suggest CEIOPS allow a simpler approach. Simplifications should not lead to an underestimation of the risk due to the strong impact on the SCR requirement. Regulatory requirements must be considered here. A potential standard approach should take this into account but it seems to be hard to find one. It is the senior management's responsibility to identify the intended course of action and to implement.	See No 1173 Noted
1,175.	European Insurance CFO Forum	3.189.	If splitting out conditional and pure discretionary benefits is only required for informational purposes, then the benefits do not outweigh the practical costs. If the proposed division of conditional and pure discretionary benefits is for informational purposes only, the CFO Forum does not believe the advantages of splitting these items out outweighs the practical costs in producing the splits. Both conditional and pure discretional benefits should allow for policyholders' reasonable expectations.	See No 1173
1,176.	FFSA	3.189.	CEIOPS defines the guaranteed and (conditional or pure) discretionary benefits. FFSA agrees with the definition of future benefits suggested. However, as it is unclear in the CP, we would like to emphasize that we should not be asked to split our Best Estimate into each kind of future benefits. Indeed, as some elements are easily calculable, as the amount total of discretionary benefits, isolate the conditional from the pure one is very demanding, without any impact on solvency numbers. In addition, the definition of conditional	See No 1173

			discretionary benefits (influenced by legal or contractual obligation, performance of underwriting funds) and pure discretionary benefits must be consistent with IFRS definition of discretionary participation features	
1,177.	Groupama	3.189.	Groupama agrees with the definition of future benefits suggested by CEIOPS. However, as it is unclear in the CP, we would like to emphasize that we should not be asked to split our Best Estimate into each kind of future benefits. Indeed, as some elements can be calculated easily, such as the total amount of discretionary benefits, isolating the conditional ones from the pure ones is very demanding and has no impact on solvency numbers.	See No 1173
1,178.	Munich RE	3.189.	If the division of conditional and pure discretionary benefits is not used for any calculations but just for informational reasons, we would suggest not dividing the discretionary benefits, because this would cause a lot of new calculations that have to be done. This new load of extra calculations compared to the extra benefit of the information one gains does not seem appropriate.	See No 1173
1,179.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCE S DU	3.190.	We don't think this is possible to document the mechanism for distributing discretionary benefits since this depends also on less objective criterions.	Not agreed Technical provisions could be determined only if detailed documentation of the mechanism for distribution discretionary bonuses is in place.
1,180.	Association of British Insurers	3.190.	We support the notion that documentation of the mechanism for distributing discretionary benefits should be taken into account when calculating technical provisions. This is especially important where this mechanism has been communicated to the policyholders.	Not agreed Mentioned documentation is also needed to perform valuation of technical provisions
1,181.	CEA, ECO-SLV-09-	3.190.	We support the notion that documentation of the mechanism for distributing discretionary benefits should be taken account for when	See No 1180

	433		calculating technical provisions. This is especially important in the case when this mechanism has been communicated to the policyholders.	
1,182.	DIMA (Dublin International Insurance & Management	3.190.	Does CEIOPS envisage a requirement under Pillar 3 that such policies are published or does it consider them to be solely a matter for the undertaking and its regulator?	This is not the issue of this CP
1,183.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCE S DU	3.193.	ON AVERAGE the simulated rate should not exceed the implied forwards. ON AVERAGE is missing in the text which sensu stricto does not make sense.	Agreed See revised text.
1,184.	CEA, ECO-SLV-09-433	3.193.	Stochastic projections will generate investment returns around the mean forward rates. Limiting the investment rate in any scenario to not exceed the forward rate will change this average thereby significantly distorting the distribution and will result in scenarios that are not market-consistent. We doubt that this is the intention and we would request the following rewording: "The assumptions for future asset returns according to market valuation underlying the valuation of discretionary benefits should be such that average asset returns do not exceed the level given by the forward rates derived from the risk-free interest rates."	See No 1183
1,185.	European Insurance CFO Forum	3.193.	The CFO Forum has commented explicitly on the allowance of an illiquidity premium in the response to CP40: Risk free interest rate structures.	Noted
1,186.	European Union member firms	3.194.	The best estimate should in theory be the average of the discounted cash flows rather than the discounted average cash flows. This could specifically make a difference for Life business	Agreed See revised text

	of Deloitte Touche To		that includes options and guaranties in its products. See also appendix A2 of the Groupe Consultatif paper “Valuation of Best Estimate under Solvency II for Non-life Insurance” of 11-11-2008.	
1,187.	Groupe Consultatif	3.194.	The best estimate should in theory be the average of the discounted cash flows rather than the discounted average cash flows. This could specifically make a difference for Life business that includes options and guaranties in its products. See also appendix A2 of the Groupe Consultatif paper “Valuation of Best Estimate under Solvency II for Non-life Insurance” of 11-11-2008.	See No 1186
1,188.	ACA – ASSOCIATION DES COMPAGNIES D’ASSURANCES DU	3.197.	“The adjustment shall be based on an assessment of the probability of default of the counterparty and the loss-given default (…)” With a substantial number of counterparties (which is generally the norm in non-life insurance), this can be very time-demanding.	Noted
1,189.	European Insurance CFO Forum	3.199.	Comments in 3.215 are also relevant here.	
1,190.	KPMG ELLP	3.199.	We would like to see definition of the term “finite reinsurance”, which we believe can have more than one meaning.	Agreed See revised text.
1,191.	Lloyd’s	3.199.	The term “finite reinsurance”, has more than one meaning. It needs to be defined.	See No 1190
1,192.	Milliman	3.199.	We would suggest that more guidance is necessary: “the calculation of recoverable from finite reinsurance should be done separately”. The handling of finite reinsurance contracts, including a clear definition of finite reinsurance, is lacking. In a situation where finite reinsurance exists, it is likely that many calculations should be done separately (not just the calculation of recoverable).	See No 1190
1,193.	European	3.200.	Comments in 3.216 are also relevant here.	

	Insurance CFO Forum			
1,194.	European Union member firms of Deloitte Touche To	3.200.	We agree that in cases where premiums and claims provisions are valued separately, separate figures for the premiums and claims provisions should also be calculated for the recoverables. In cases premiums and claims provisions are not valued separately, this should also be permitted for the recoverables.	Not agreed Part of the recoverables should comprise the compensation payments for the claims accounted for the gross claims provisions.
1,195.	Groupe Consultatif	3.200.	We agree that in cases where premium and claims provisions are valuated separately also separate figures for the premium and claims provisions should be calculated for the recoverables. In case premium and claims provisions are not valuated separately, this should also be permitted for the recoverables.	See No 1194
1,196.	Milliman	3.200.	It is unclear whether loss adjustment expenses and claims handling expense, when recoverable, would constitute "compensation payments for the claims accounted for the gross claims provision" and thus fall under the claims provision or fall under the premium provision.	Noted
1,197.	Groupe Consultatif	3.202.	We have remarks on the calculations of the Risk Margin on a net basis. We would like to refer to our remarks on this point in CP42.	
1,198.	Federation of European Accountants (FEE)	3.203.	There is a significant conceptual difference between a contractual reference directly to the losses affecting the counter-party and a reference to indices, which might (or might not) affect the counter-party. In the first kind, any benefit determined based on the losses incurred to the counter-party is actually a compensation. For accounting purposes under IFRS 4, a compensation is a necessary condition. A reinsurance contract is not a stand-alone relationship but a contract, which transfers cash flows or risks specifically of the cedant to the cessionary, i.e. it is a cession and as such directly contractually referring to the specific business of the cedant. Here,	Noted

			the contract refers directly to the losses incurred by the cedant. If there is no compensation, i.e. the determination of the benefit does not refer directly to losses incurred by the cedant but to an index which might or might not affect the counter-party, the benefit is a derivative which may provide hedging, i.e. to combine intentionally two different negatively correlated items. As a first principle, any cession needs to be measured consistently with the ceded item (just considering default risk of the cessionary in addition) to reflect the nature of that business adequately. If the first approach in 3.205 is taken, care is needed that all assumptions are entirely consistent with the measurement of the technical provision of the ceded business. Except in case of proportional reinsurance, the complexity of the reinsurance arrangement might cause a need to use the second method. The indirect method is conceptually the most appropriate and should be the default method. It is important to analyse the reinsurance contract and identify which parts are actually a cession, (referring to losses of the cedant), which parts are actually only hedging, e.g. referring to indices which might as well affect the cedant, and which parts are guarantees or options which are independent from gains or losses of the cedant. The last two (the hedging and the guarantees or options) parts of the reinsurance contract need to be measured separately, applying the same principles as apply for any other asset or liability of an insurer. This comment applies to paragraphs 3.203 to 3.205.	
1,199.	KPMG ELLP	3.203.	We would like to clarify that the use of the work prudent is restricted to the general approach rather than an intended divergence from a best estimate.	Agreed See revised text

			For accounting purposes under IFRS 4 a compensation is a necessary condition. A reinsurance contract is not a stand-alone relationship but a contract which transfers cash flows or risks specifically of the cedant to the cessionary, i.e. it is a cession and as such directly contractually referring to the specific business of the cedant. If there is no compensation it is a derivative which may provide hedging, i.e. to combine intentionally two different negatively correlated items. It is important to analyse the reinsurance contract which parts are actually a cession, referring to losses of the cedant, which parts are actually only hedging, e.g. referring to indices which might as well affect the cedant and which parts are guarantees or options which are independent from gains or losses of the cedant. Both latter parts of the reinsurance contract need to be measured separately applying the same principles as apply for any other asset or liability of an insurer.	See No 1198
1,200.	Lloyd's	3.203.	We understand that the word "prudent" describes the general approach and is not intended as a divergence from a best estimate. This requires clarification.	See No 1199
1,201.	KPMG ELLP	3.204.	Reinsurance counterparty default risk is not usually included in the reinsurance reserve calculations. This will generate a significant change compare to traditional methods.	Not agreed The directive in Article 80 requires that the values are adjusted for expected losses due to default of the counterparty
1,202.	Lloyd's	3.204.	We agree.	Noted
1,203.	Association of Run-Off Companies	3.205.	The possible implication of this and other paragraphs in this CP is that the amount recoverable from reinsurance should be derived independently from the best estimate on a gross of reinsurance basis. We do not think such an approach is desirable – on the contrary, the reinsurance amount recoverable should be derived	Not agreed This is in line with Article 80.

			using consistent assumptions to those used to derivation of the gross best estimate (perhaps with allowance for a time lag and counterparty default risk). We think it would be helpful if CEIOPS clarified this.	
1,204.	International Underwriting Association of London	3.205.	The timing of cash flows relating to reinsurance recoverables might be difficult to ascertain in some circumstances, some reinsurance claims could take several years to materialise, and might therefore present difficulties when discounting cash flows for the purposes of ascertaining technical provisions. Without wishing to state the obvious, the timing of the cash flows for the best estimate will be exactly that, an estimate. Some claims can take a significant length of time to quantify, or might be subject legal challenge in the context of a particular claim.	Noted
1,205.	KPMG ELLP	3.205.	As a first principle, any cession needs to be measured entirely consistent with the ceded item (just considering default risk of the cessionary in addition) to reflect the nature of that business adequately. If the first approach in 3.205 is taken, care is needed that all assumptions are entirely consistent with the measurement of the technical provision of the ceded business. However, except in case of proportional reinsurance, the complexity of the reinsurance arrangement might cause a need to use the second method. The indirect method is actually the conceptually most appropriate one and should be the default method.	Not agreed A first principle is in line with Article 80.
1,206.	Milliman	3.205.	The stipulation that the indirect manner of calculating the amount recoverable is acceptable if and when the direct method “delivers a sufficiently similar amount” implies that one is able to complete the exercise using the direct method in order to compare the results. Rather we suggest that the indirect method is acceptable if the indirect method is expected to deliver a sufficiently similar amount … We note that the indirect method is current market standard practice.	Agreed See revised text

1,207.	Pricewaterhou seCoopers LLP	3.205.	The principles of materiality and proportionality should be applied in the modelling of reinsurance recoverables. Therefore simplifications should be permitted on these grounds. This comment also refers to 3.205.	Not agreed Simplifications are not part of this CP
1,208.	Pricewaterhou seCoopers LLP	3.205.	The principles of materiality and proportionality should be applied in the modelling of reinsurance recoverables. Therefore simplifications should be permitted on these grounds. This comment also refers to 3.205.	See No 1207
1,209.	European Insurance CFO Forum	3.207.	Comments in 3.209 are also relevant here.	
1,210.	Lloyd's	3.207.	We agree.	Noted
1,211.	Pricewaterhou seCoopers LLP	3.207.	The treatment of expenses appears to contradict the approach in 3.209. It would be helpful to clarify this point.	Agreed See revised text
1,212.	Pricewaterhou seCoopers LLP	3.207.	The treatment of expenses appears to contradict the approach in 3.209. It would be helpful to clarify this point.	See No 1211
1,213.	Lloyd's	3.208.	We agree.	Noted
1,214.	CEA, ECO-SLV-09-433	3.209.	The treatment of expenses relating to recoverables seems contradictory. Please clarify the treatment of expenses - this paragraph seems to contradict Para 3.207. The text currently seems to suggest that expenses that relate to recoverable from reinsurance contracts or SPVs should be included in the value of the recoverables as well as in the best estimate. The expenses should not be included in both. In our opinion it would be most appropriate to include the related expenses in the value of the recoverables.	Not agreed Expenses related to recoverables are not included in Para 3.207

1,215.	European Insurance CFO Forum	3.209.	The treatment of expenses in 3.209 is inconsistent with 3.207. The CFO Forum requests clarification on the treatment of expenses for reinsurance contracts and special purpose vehicles. Paragraph 3.207 states that "cash-flows should include…recoverables…for related expenses". However here, the statement "no allowance for expenses should be made" contradicts this earlier remark. Further clarification of this inconsistency is requested.	See No 1214
1,216.	Munich RE	3.209.	Please clarify the treatment of expenses. 3.209 seems to contradict 3.207.	See No 1214
1,217.	Pricewaterhou seCoopers LLP	3.209.	See comments under 3.207	
1,218.	Pricewaterhou seCoopers LLP	3.209.	See comments under 3.207	
1,219.	XL Capital Ltd	3.209.	"No allowance for expenses should be made on the recoverables. Expenses that relate to the internal processes of the insurer for reinsurance and special purpose vehicles should be taken into account in the best estimate" This is true unless there are expenses ceded according to the reinsurance contract wording.	Noted
1,220.	European Union member firms of Deloitte Touche To	3.210.	This point needs to be further clarified. Does this last sentence refer to gross?	Agreed See revised text.
1,221.	Federation of European	3.210.	The reference to "market risk" appears to be too narrow. The measurement should follow the principle that the cession features	Agreed

	Accountants (FEE)		are measured consistently with the gross technical provision, the other features as if they were stand-alone. Especially if the payments are double triggered (both by a cession and by other factors), it will not be possible to separately disclose both parts.	See revised text.
1,222.	Groupe Consultatif	3.210.	This point needs to be further clarified. Does this last sentence refer to gross?	See No 1220
1,223.	KPMG ELLP	3.210.	The reference to "market risk" appears to be too narrow. The measurement should follow the principle, that the cession features are measured consistently with the gross technical provision, the other features as if they were stand-alone. Especially if the payments are double triggered (both, by a cession and by other factors), it will not be possible to separately disclose both parts.	See No 1221
1,224.	PricewaterhouseCoopers LLP	3.210.	It may not always be possible to distinguish between events that relate to market risk and underwriting risk. Further it is not clear how market risk events should be allowed for. This comment also refers to 3.224.	See No 1220
1,225.	PricewaterhouseCoopers LLP	3.210.	It may not always be possible to distinguish between events that relate to market risk and underwriting risk. Further it is not clear how market risk events should be allowed for. This comment also refers to 3.224.	See No 1220
1,226.	Lloyd's	3.212.	We agree.	Noted
1,227.	Lloyd's	3.213.	We agree.	Noted
1,228.	CEA, ECO-SLV-09-433	3.214.	This section overlaps with CP44 – we suggest to only include this topic in one set of advice. All advice in this section on recoverables from reinsurance contracts and SPVs, especially Para 3.220 to Para 3.222, is overlapping with CP44; the split between CP39 and CP44 is artificial and hampers the consistency of advice.	Not agreed CP44 covers adjustments for counterparty default.

1,229.	German Insurance Association – Gesamtverband der D	3.214.	This section (para. 3.214 to 3.227) overlaps with CP44 – we suggest to include this topic only in one set of advice; the split between CP39 and CP44 is artificial and hampers the consistency of advice.	See No 1228
1,230.	Legal & General Group	3.214.	Requiring the liabilities to be calculated gross and showing the reinsurance as an asset will increase the size of the balance sheet. In conjunction with e.g. CP46 on own funds, this potentially increases still further the cost of holding more tier 1 assets and increases the risk of economic turmoil that that consultation paper introduces.	Noted
1,231.	Lloyd’s	3.214.	We agree that recoverables should be shown separately from best estimate technical provisions. However, it should be stressed that the calculations underpinning their estimation should be consistent with the assumptions and results of the best estimate valuation.	Noted
1,232.	Association of British Insurers	3.215.	We would suggest the following alternative wording instead of ‘done separately’: shown separately.	Not agreed These are different contracts which should be valued separately.
1,233.	CEA, ECO-SLV-09-433	3.215.	Finite reinsurance should not be separated. We do not agree with the separation of finite reinsurance. From a risk transfer perspective there is no difference between finite reinsurance and other reinsurance as long as the reinsurance is valued properly and classified as an insurance contract.	See No 1232
1,234.	DIMA (Dublin International Insurance & Management	3.215.	Where recoveries are determined to be assets (as opposed to reduction in liabilities) and valued according to substance, the form of the underlying contract should not matter. SPVs may be separated as these have a different counterparty structure.	See No 1232

1,235.	European Insurance CFO Forum	3.215.	The CFO Forum does not agree with the requirement of a separate calculation for finite reinsurance. Provided that reinsurance, finite or otherwise is valued appropriately and involves the transfer of risk principle as per definition of an insurance contract, there is no real difference between the two types of contract. Also, it would be challenging to define finite reinsurance objectively. Therefore, we do not agree that this category requires a separate calculation.	See No 1232
1,236.	Munich RE	3.215.	We do not agree with the separation of finite reinsurance. It is hardly possible to define finite reinsurance objectively. In our opinion from a risk transfer perspective there is no difference between finite reinsurance and other reinsurance as long as the reinsurance is valued properly and classified as insurance contract.	See No 1232
1,237.	PEARL GROUP LIMITED	3.215.	We would suggest the following alternative wording instead of 'done separately': shown separately.	See No 1232
1,238.	Pricewaterhou seCoopers LLP	3.215.	It would be helpful to have a definition of "finite reinsurance." Also, it is not clear why this calculation should be performed separately from other reinsurance.	Agreed See revised text
1,239.	Pricewaterhou seCoopers LLP	3.215.	It would be helpful to have a definition of "finite reinsurance." Also, it is not clear why this calculation should be performed separately from other reinsurance.	See No 1238
1,240.	RBS Insurance	3.215.	We believe the word "done" should be replaced by the word "shown" in both sentences, to increase clarity.	See No 1232
1,241.	CEA, ECO-SLV-09-433	3.216.	The classification of reinsurance recoverables into premium provisions and claims provisions needs refinement. It is unclear how the claims provision is defined following the wording of Para 3.200. As pointed out in Para 3.197, there might be a substantial delay between the payment of the gross claim and the payment of the reinsurance recovery related to this claim.	Agreed See revised text

			Standard practice is that when the gross claim is paid and the gross reserve released, then the ceded reserve is also released and the corresponding reinsurance recoverable amount becomes a debt the reinsurer owes to the direct insurer and is not held as a part of the technical provisions. Ceiops advice seems to state that this debt should affect the ceded premium provision - Para 3.200 states that "in the claims provisions, part of the recoverable should comprise the compensation payments for the claims accounted for (in) the gross claims provisions. All other payments should be considered in the premium provision part of the recoverable". ☐ Reinsurance recoverables relating to claims already paid to policyholders should not affect the ceded premium reserve. These should be accounted for as a separate debt item.	
1,242.	European Insurance CFO Forum	3.216.	Further clarification on the claims provision definition is requested. The CFO Forum agrees that reinsurance recoverables should be separated into premium provisions and claims provisions. However given 3.197 and 3.200, further clarification of the claims provision definition is required. There can be significant delays in the payment of the gross claim and payment of recovery. In some circumstances the reinsurance recovery is received before the underlying claim is paid to the insured policyholder. In these circumstances standard practice is to maintain both the claims reserve and the corresponding reinsurance recovery until the claims reserve is paid. The advance receipt of the reinsurance recovery becomes a debt. Both the debt and the corresponding reinsurance recovery are released when the underlying claim is finally settled. If the claim is not settled the advance payment of the reinsurance recovery will be repaid to the reinsurer. This is in contrast to the wording in 3.200 which states that "All other payments should be considered in the premium provisions	See No 1241

			part of the recoverable". This would mean that claims were paid on gross but not part of the gross claims provisions and debt would be part of the premium reserve. This treatment is inappropriate and should be clarified.	
1,243.	European Union member firms of Deloitte Touche To	3.216.	See also 3.200.	
1,244.	Groupe Consultatif	3.216.	See also 3.200.	
1,245.	Association of British Insurers	3.220.	We would agree that the best estimate should include an appropriate reduction for default and other expected losses. However care must be taken not to double-count with the counterparty risk module of the SCR. Where the expected loss is immaterial then proportionality considerations should apply in producing the calculation.	Not agreed Article 80 requires that the calculation of amounts of recoverable shall be adjusted for expected losses due to default of counterparty. Simplifications are not part of this CP
1,246.	CEA, ECO-SLV-09-433	3.220.	Simplified approaches should be available to adjust the value of the recoverable for counterparty default. Ceiops states that the amount of recoverables from reinsurance and SPVs should be adjusted in order to take account of expected losses due to counterparty default. In practice, this requirement is likely to be a difficult task. We would suggest that if this requirement is retained, Ceiops allows simplified approaches for this calculation. Ceiops should clarify that when taking "into account of expected losses (…)", we can consider that we stop paying future premiums to the reinsurer.	See No 1245 Noted

1,247.	CRO Forum	3.220.	CEIOPS states that the amount of recoverables from reinsurance and SPVs should be adjusted in order to take account of expected losses due to counterparty default. This would appear to double count the counterparty default risk which is already allowed for via a capital charge due to counterparty default risk on reinsurers. Furthermore the calculation would appear to be a difficult task with an immaterial impact. We would suggest that if this requirement is retained, CEIOPS allows simplified approaches for this calculation.	See No 1245
1,248.	European Insurance CFO Forum	3.220.	The CFO Forum requests clarification on whether “to take account of expected losses due to counterparty default,” implies that undertakings can factor in the cessation of future reinsurance premiums payable as a result of the default. The current requirement may incorrectly double count counterparty default risk. If expected reinsurance recoverables are reduced while an additional charge to capital is made due to counterparty default risk from reinsurers, the CFO Forum highlights that there is a risk of double counting the counterparty default charge.	See No 1246 See No 1245
1,249.	Just Retirement Limited	3.220.	It would be useful to include a clarification to the effect that collateral (for example in the form of a reinsurance deposit) should be taken into account in the calculation of the loss-given-default and hence the expected losses. Fully-collateralised recoverables would then need no adjustment for expected losses. Clearly the quantum and quality of collateral would need to be carefully monitored and the recoverable adjusted to allow for expected losses in the event of collateral impairment.	Not agreed Collaterals are not covered with Article 80
1,250.	Lloyd’s	3.220.	We agree.	Noted
1,251.	PEARL GROUP	3.220.	CEIOPS states that the amount of recoverables from reinsurance	See No 1245

	LIMITED		and SPVs should be adjusted in order to take account of expected losses due to counterparty default. This would appear to double count the counterparty default risk which is already allowed for via a capital charge due to counterparty default risk on reinsurers. Furthermore the calculation would appear to be a difficult task with an immaterial impact. We would suggest that if this requirement is retained, CEIOPS allows simplified approaches for this calculation.	
1,252.	AAS BALTA	3.221.	The adjustment for expected counterparty default is likely to be small for many undertakings. The associated calculations should be proportionate. CEIOPS's advice of considering counter-party specific default probabilities is complex in practice. We provide more detailed commentary in our response to CP 44.	Noted
1,253.	AB Lietuvos draudimas	3.221.	The adjustment for expected counterparty default is likely to be small for many undertakings. The associated calculations should be proportionate. CEIOPS's advice of considering counter-party specific default probabilities is complex in practice. We provide more detailed commentary in our response to CP 44.	See No 1252
1,254.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCE S DU	3.221.	Evaluation of the impact of the credit worthiness of reinsurers on the reinsurance recoverables needs to be applied based on materiality. Simple methods should be allowed.	Not agreed Simplifications are not part of this CP.
1,255.	Association of British Insurers	3.221.	In principle we agree with the approaches indicated by CEIOPS, but the practical application of these may be too burdensome, particularly in the case of complex reinsurance structures via several brokers and to many reinsurers and where a lot of different credit ratings are used. Therefore we believe these requirements should be applied proportionately based on materiality. Specifically looking at the calculation options:	Not agreed Simplifications are not part of this CP.

			☐ Calculation of the probability-weighted average of all future cash flow related to recoverables taking into account the deferment between direct payment and recovery: Companies do not usually have run-off data to estimate future cash flow of recoveries, consequently such an approach is likely to be too difficult. ☐ Indirect calculation: This simplification is not a solution to the drawbacks of the 1st proposal as the lack of information is the same for both approaches. Therefore, where reinsurance only has an immaterial effect on the technical provisions we would suggest no requirement to model reinsurance explicitly but to find a simplified approach. E.g. for proportional reinsurance you should be allowed to calculate the best estimate for reinsurance by using the proportion of liability including and excluding reinsurance in the statutory balance sheet.	
1,256.	Association of Run-Off Companies	3.221.	We think it would be helpful if CEIOPS mentioned the fact that in some cases, there can be uncertainty over the way in which reinsurance recoveries can be made (e.g. due to definition of a loss) and that this should be allowed for when considering the amount recoverable from reinsurance contracts. A related point is that as well as counterparty default, there can be reinsurance disputes which impact upon the amount recoverable.	Not agreed
1,257.			Confidential comment deleted.	
1,258.	CEA, ECO-SLV-09-433	3.221.	The suggested approaches appear too burdensome. Simplifications are essential. In principle we agree with the approaches indicated by Ceiops, but the practical application of these may be too burdensome, particularly in the case of complex reinsurance structures via several brokers and to many reinsurers. It may also cause particular problems when changing reinsurance programs. Specifically looking at the calculation options:	See No 1255

			☐ Calculation of the probability-weighted average of all future cash flow related to recoverables taking into account the deferment between direct payment and recovery: Companies may not have run-off data to estimate future cash flow of recoveries, consequently such an approach may be too difficult. ☐ Indirect calculation: This simplification is not a solution to the drawbacks of the 1st proposal as the lack of information is the same for both approaches. Therefore, where reinsurance only has an immaterial effect on the technical provisions we would suggest no requirement to model reinsurance explicitly but to find a simplified approach. E.g. for proportional reinsurance you should be allowed to calculate the best estimate for reinsurance by using the proportion of liability including and excluding reinsurance in the statutory balance sheet. ☐ We believe these requirements should be applied proportionately based on materiality.	
1,259.	DENMARK Codan Forsikring A/S (10529638)	3.221.	The adjustment for expected counterparty default is likely to be small for many undertakings. The associated calculations should be proportionate. CEIOPS's advice of considering counter-party specific default probabilities is complex in practice. We provide more detailed commentary in our response to CP 44.	See No 1252
1,260.	European Insurance CFO Forum	3.221.	The principle of proportionality should be taken into account when deriving a suitable method of calculating the amount of recoverables from reinsurance contracts and special purpose vehicles.	See No 1254
1,261.	Groupe Consultatif	3.221.	Second bullet point: … as the difference between the gross best estimate and the net best estimate …	Not agreed 3.19 define the "best estimate" as gross best estimate
1,262.	KPMG ELLP	3.221.	We note that calculation of reinsurance recoveries can be done	Noted

			either directly from the gross or as the difference between gross and net projections. This is market practice and we agree.	
1,263.	Link4 Towarzystwo Ubezpieczeń SA	3.221.	The adjustment for expected counterparty default is likely to be small for many undertakings. The associated calculations should be proportionate. CEIOPS's advice of considering counter-party specific default probabilities is complex in practice. We provide more detailed commentary in our response to CP 44.	See No 1252
1,264.	Lloyd's	3.221.	We note that calculation of reinsurance recoveries can be done either directly from the gross or as the difference between gross and net projections. This is market practice and we agree.	See No 1262
1,265.	Munich RE	3.221.	In the case where reinsurance only has an immaterial effect on the technical provisions we would suggest not to model reinsurance explicitly but find a simplified approach. E.g. for proportional reinsurance you should be allowed to calculate the best estimate for reinsurance in using the proportion of liability including and excluding reinsurance in the statutory balance sheet.	See No 1255
1,266.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.221.	The adjustment for expected counterparty default is likely to be small for many undertakings. The associated calculations should be proportionate. CEIOPS's advice of considering counter-party specific default probabilities is complex in practice. We provide more detailed commentary in our response to CP 44.	See No 1252
1,267.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.221.	The adjustment for expected counterparty default is likely to be small for many undertakings. The associated calculations should be proportionate. CEIOPS's advice of considering counter-party specific default probabilities is complex in practice. We provide more detailed commentary in our response to CP 44.	See No 1252

1,268.	PEARL GROUP LIMITED	3.221.	This would involve a substantial amount of work where a lot of different reinsurers with lots of differnet credit ratings are used. Therefore, we believe this requirement should be applied proportionately based on materiality. The first bullet point runs the risk that there will be a double count of default charges. The stresses will impact the capital but there will be some allowed for in the technical provisions. Therefore, where reinsurance only has an immaterial effect on the technical provisions we would suggest no requirement to model reinsurance explicitly but to find a simplified approach. E.g. for proportional reinsurance you should be allowed to calculate the best estimate for reinsurance by using the proportion of liability including and excluding reinsurance in the statutory balance sheet.	See No 1255 Not agreed Article 80 requires that the calculation shall be adjusted for expected losses due to default of the counterparty. See No 1255
1,269.	Pricewaterhou seCoopers LLP	3.221.	See comments under 3.205	
1,270.	Pricewaterhou seCoopers LLP	3.221.	See comments under 3.205	
1,271.	RSA Insurance Group PLC	3.221.	The adjustment for expected counterparty default is likely to be small for many undertakings. The associated calculations should be proportionate. CEIOPS's advice of considering counter-party specific default probabilities is complex in practice. We provide more detailed commentary in our response to CP 44.	See No 1252
1,272.	RSA Insurance Ireland Ltd	3.221.	The adjustment for expected counterparty default is likely to be small for many undertakings. The associated calculations should be proportionate. CEIOPS's advice of considering counter-party specific default probabilities is complex in practice. We provide more	See No 1252

			detailed commentary in our response to CP 44.	
1,273.	RSA - Sun Insurance Office Ltd.	3.221.	The adjustment for expected counterparty default is likely to be small for many undertakings. The associated calculations should be proportionate. CEIOPS's advice of considering counter-party specific default probabilities is complex in practice. We provide more detailed commentary in our response to CP 44.	See No 1252
1,274.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.221.	The adjustment for expected counterparty default is likely to be small for many undertakings. The associated calculations should be proportionate. CEIOPS's advice of considering counter-party specific default probabilities is complex in practice. We provide more detailed commentary in our response to CP 44.	See No 1252
1,275.	XL Capital Ltd	3.221.	In principle we agree with the approaches indicated by CEIOPS, but the practical application of these may be too burdensome, particularly in the case of complex reinsurance structures via several brokers and to many reinsurers and where a lot of different credit ratings are used. Therefore we believe these requirements should be applied proportionately based on materiality. Specifically looking at the calculation options: ☐ Calculation of the probability-weighted average of all future cash flow related to recoverables taking into account the deferment between direct payment and recovery: Companies do not usually have run-off data to estimate future cash flow of recoveries, consequently such an approach is likely to be too difficult. ☐ Indirect calculation: This simplification is not a solution to the drawbacks of the 1st proposal as the lack of information is the same for both approaches. Therefore, where reinsurance only has an immaterial effect on the technical provisions we would suggest no requirement to model reinsurance explicitly but to find a simplified approach. E.g. for proportional reinsurance you should be allowed to calculate the	See No 1255

			best estimate for reinsurance by using the proportion of liability including and excluding reinsurance in the statutory balance sheet.	
1,276.	CEA, ECO-SLV-09-433	3.222.	See also comment to Para. 3.223	
1,277.	Groupe Consultatif	3.222.	Cash out-flow: One should assume that the reinsurance program will not change in future.	Not agreed Only existing reinsurance contracts and SPV are taken into account
1,278.	Munich RE	3.222.	One should assume that the reinsurance program will not change in future.	See No 1277
1,279.	Association of British Insurers	3.223.	It is unclear whether expenses related to the management and administration of reinsurance and SPVs should be allowed for in the best estimate liabilities or in the value of the recoverable. We do not believe that such expenses should be taken into account in the calculation of the gross best estimate liabilities as it could lead to misinterpretations. Rather, expenses specific to the recovery should be included in the assessment of the value of the recoverable whilst the general management of risk mitigations would be in the overall expenses.	Not agreed Expenses should be part of gross technical provisions.
1,280.	CEA, ECO-SLV-09-433	3.223.	Please clarify the treatment of expenses – it is currently inconsistent. Para 3.223 seems to contradict Para 3.222. It is unclear whether expenses related to the management and administration of reinsurance and SPVs should be allowed for in the best estimate liabilities or in the value of the recoverable. We do not believe that such expenses should be taken into account in the calculation of the gross best estimate liabilities as it could	See No 1279

			lead to misinterpretations. Rather, any related expenses should be included in the assessment of the value of the recoverable. See also comments to Para 3.209.	
1,281.	CRO Forum	3.223.	"Expenses which the undertaking incurs in relation to the management and administration of reinsurance and special purpose vehicle contracts should be allowed for in the best estimate, calculated gross, without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles. " The wording may lead to misinterpretation. We would suggest to better clarify the concept. The best estimate gross of reinsurance should be the best estimate before reinsurance ("gross"), so also not considering the costs associated with reinsurance. The reinsurance asset should reflect all impacts from reinsurance, therefore also the management and administration costs.	See No 1279
1,282.	KPMG ELLP	3.223.	We agree.	Noted
1,283.	Lloyd's	3.223.	We agree.	See No 1282
1,284.	Association of British Insurers	3.224.	CEIOPS suggest to distinguish between events that relate to market risk and underwriting risk with only the latter being accounted for in the recoverables and the former being accounted for outside of recoverables. In practice, there will be many instances where reinsurance covers both elements, e.g. reinsurance of profit sharing business. Splitting this between underwriting risk and market risk would seem burdensome. We would refer back to our comments on CP 36: we believe that other SPVs should be considered for regulatory capital relief where these provide risk mitigation.	Agreed See revised text. Noted
1,285.			Confidential comment deleted.	

1,286.	CEA, ECO-SLV-09-433	3.224.	The requirement to distinguish between market risk and underwriting risk and to account for them separately is burdensome and unnecessary. It is stated that undertakings should distinguish between events that relate to market risk and underwriting risk with only the latter being accounted for in the recoverables and the former being accounted for outside of recoverables. No rationale for this has been provided (in Para 3.210). There will be many instances where reinsurance covers both elements, e.g. reassurance of profit sharing business. Splitting this between underwriting risk and market risk would seem burdensome, if not impossible, and pointless. ☐ We recommend Ceiops removes this distinction. Market-risk related recoverables should be valued as part of the SII balance sheet. We refer to our comments on CP 36: we believe that other SPVs may be considered for regulatory capital relief where these provide risk mitigation and would oppose any requirement from Ceiops in which market-risk related recoverables are excluded from the SII balance sheet altogether.	See No 1284
1,287.	CRO Forum	3.224.	The principle is clear nevertheless there are cases where it is not easy to distinguish between market risk and underwriting risk for recoverables assessment. An example are the long-term business contracts where benefits depend on market performance Moreover there are contracts in life (re)insurance (savings business with complicated guarantees known as GmxB), where events that relate to market risk cannot be easily separated from events that relate to underwriting risk. In those cases we recommend that these risks should not be separated but reported within	See 1285

			recoverables. A typical example for GmxB would be a guaranteed minimum death benefit that is attached to a unit-linked contract. In case of death of the insured the insurer pays the maximum of the fund value and the guaranteed death benefit amount. The sum at risk is the difference between the guaranteed death benefit and the fund value, if positive. This sum at risk is dependent on the performance of the underlying fund. The overall risk of the contract is therefore dependent on biometric risk (death) and market risk (fund performance). Those risks cannot be easily separated.	
1,288.	DIMA (Dublin International Insurance & Management	3.224.	How does CEIOPS envisage the treatment of contracts with hybrid exposures that include both elements of market risk and underwriting risk, for example guarantees and options?	See 1285
1,289.	European Insurance CFO Forum	3.224.	It may not always be possible to distinguish between events that relate to market risk and underwriting risk. Exceptions to the requirement need to be considered. The CFO Forum highlights that for certain contracts in life and non-life insurance (e.g.: GmxB and dual trigger related policies), market risk events are difficult to separate from underwriting risk events. In these instances, the risks should be separated or reasonable approximations allowed.	See 1285
1,290.	FFSA	3.224.	CEIOPS outlines that the undertaking should distinguish between events that relate to market risk and events that relate to underwriting risk and that only payments made in the relation with the latter should be accounted for in the recoverables. FFSA believes that such a distinction could be impossible as there are several reinsurance arrangements that include both risks. Therefore, we recommend removing such a distinction or provide with clarifications to understand what the CEIOPS was intended to	See 1284

			address by market risk.	
1,291.	Just Retirement Limited	3.224.	The requirement to exclude events related to market risk from projected reinsurance recoverables could cover the inflation linked elements of annuity (and other claim) payments. This would not be appropriate for arrangements where the contractual recoveries explicitly include the effects of market related phenomena, such as inflation linked to an index.	See 1285
1,292.	Munich RE	3.224.	There are contracts in life (re)insurance (savings business with complicated guarantees known as GmxB), where events that relate to market risk cannot be easily separated from events that relate to underwriting risk. In those cases we recommend that these risks should not be separated but reported within recoverables. A typical example would be a guaranteed minimum death benefit that is attached to a unit-linked contract. In case of death of the insured the insurer pays the maximum of the fund value and the guaranteed death benefit amount. The sum at risk is the difference between the guaranteed death benefit and the fund value, if positive. This sum at risk is dependent on the performance of the underlying fund. The overall risk of the contract is therefore dependent on biometric risk (death) and market risk (fund performance). Those risks cannot be easily separated.	See 1285
1,293.	PEARL GROUP LIMITED	3.224.	CEIOPS suggests distinguishing between events that relate to market risk and underwriting risk with only the latter being accounted for in the recoverables and the former being accounted for outside of recoverables. In practice, there will be many instances where reinsurance covers both elements, e.g. reassurance of profit sharing business. Splitting this between underwriting risk and market risk would seem burdensome. We believe that other SPVs may be considered for regulatory capital relief where these provide risk mitigation.	See 1284

1,294.	Pricewaterhou seCoopers LLP	3.224.	See comments under 3.210	
1,295.	Pricewaterhou seCoopers LLP	3.224.	See comments under 3.210	
1,296.	KPMG ELLP	3.226.	We agree.	Noted
1,297.	Lloyd's	3.226.	We agree.	Noted
1,298.	CRO Forum	3.227.	Recoverables from reinsurance contracts and special purpose vehicle: in principle we agree with the approach indicated by CEIOPS, but the practical application of such principles may be almost quite difficult in case of complex reinsurance structure through many brokers and to many reinsurers. The main remarks (mainly concerning Non-Life) are the following : ☐ Calculation of the probability-weighted average of all future cash flow related to recoverables taking into account the deferment between direct payment and recovery: companies does not have run-off data or – due to reinsurance programmes with relevant changes in the past – the data quality of these run-off data might not be sufficient for the application of actuarial methods (CP 43) to estimate future cash flow of recoveries, consequently such approach would be quite difficult ☐ Inclusion in the calculation of the default of Counterparty: the reduction of Net Best Estimates of the unrecoverable amount due to default of reinsurers represents for Direct Business companies an almost impossible task with immaterial impact. We would suggest CEIOPS to allow Direct Business companies to adopt simplified approaches.	Noted Noted Not agreed Simplifications not part of this CP

			☐ Indirect calculation: CEIOPS offers the Indirect calculation as alternative to the cash flow approach. This simplification does not give a solution because the problem of lack of information is the same for both the approaches In practice, it could be difficult to define finite reinsurance properly. From a risk transfer perspective, it seems difficult to differentiate between finite reinsurance and other reinsurance as long as the reinsurance is valued properly and classified as reinsurance contract. In the case where reinsurance only has an immaterial effect on the technical provisions we would suggest not to model reinsurance explicitly but find a simplified approach. E.g. for proportional reinsurance you should be allowed to calculate the best estimate for reinsurance in using the proportion of liability including and excluding reinsurance in the statutory balance sheet.	Noted Not agreed These are different contracts which should be valued separately. Not agreed Simplifications are not part of this CP.
1,299.	Just Retirement Limited	3.227.	Applying precise calculation of expected counterparty losses in the calculation of reinsurance recoverables is likely to be a significant burden with no associated benefit. Where appropriate a simplified method of adjusting projected recoveries for counterparty losses should be permitted.	Not agreed Simplifications are not part of this CP
1,300.	KPMG ELLP	3.227.	We agree.	Noted
1,301.	Lloyd's	3.227.	We agree.	See No 1299
1,302.	CEA, ECO-SLV-09-433	3.230.	We would suggest that "realistic quality of the assumptions made" is replaced with "quality of the assumptions made". The use of the word "realistic" does not appear necessary.	Agreed See revised text
1,303.	European Insurance CFO Forum	3.230.	The phrase "realistic quality of the assumptions made" is unclear. It is not clear whether the assumptions or the quality should be realistic. This should be clarified.	Agreed See revised text

1,304.	Institut des actuaires (France)	3.233.		
1,305.	CEA, ECO-SLV-09-433	3.235.	This text should read: "Recital 32" instead of "Recital 31".	Agree See revised text
1,306.	European Insurance CFO Forum	3.235.	"Recital 31" should be replaced with "Recital 32".	See No 1305
1,307.	KPMG ELLP	3.235.	We strongly disagree that undertaking specific information should only be used to better reflect the characteristics of the undertaking. General insurance portfolios are typically very heterogeneous, and external data rarely provides a good proxy for an undertaking's own exposures. We believe the undertaking specific information should always be the main base, unless it is insufficient or inappropriate.	Not agreed This is the text of directive Recital 32
1,308.	Lloyd's	3.235.	We strongly disagree that undertaking specific information should only be used to better reflect the characteristics of the undertaking. General insurance portfolios are typically very heterogeneous, and external data rarely provides a good proxy for an undertaking's own exposures. We believe the undertaking specific information should always be the main base, unless it is insufficient or inappropriate.	See No 1307
1,309.	Milliman	3.235.	We strongly disagree that undertaking specific information should only be used to better reflect the characteristics of the undertaking. We believe the undertaking specific information should always be the main basis of assumptions, unless it is insufficient or inappropriate.	See No 1307
1,310.	Munich RE	3.235.	"Recital 32" instead of "Recital 31"	See No 1305

1,311.	Groupe Consultatif	3.236.	In 3.231 two classes of assumptions, i.e. the financial and the insurance element of the business, are deduced from a text in Article 75 in Level 1. Then 3.236 mentions briefly that also expenses should be taken into account. There are certain issues connected to the assumptions for calculated expected future expenses, see comments to 3.43 and 3.52-3.55. It is natural to address the three elements equally and more in depth than is done here.	Not agreed Paragraph only refer to undertaking specific data.
1,312.	Association of Run-Off Companies	3.237.	The validation requirements for external data in paragraph (g) appear somewhat onerous (particularly, for example, in valuing the participation in a "pool"). We also question whether the criteria in paragraph (g) should consider in addition: ☐ The materiality of the assumption and the level of credibility that is being placed on the external data in setting the assumption. ☐ The practicality of getting data from external providers, particularly, in terms of timescales and where it is market sensitive.	Not agreed Simplifications are not part of this CP.
1,313.			Confidential comment deleted.	
1,314.	CEA, ECO-SLV-09-433	3.237.	Even if expert judgement is applied in lieu of lack of data, the best estimate should still be unbiased; hence the "prudent" part of c iii should be dropped in favour of "realistic".	See No 1313
1,315.	European Insurance CFO Forum	3.237.	The use of "prudent" in relation to best estimate assumptions is not appropriate and should be removed.	See No 1313

			As noted in our comments in 3.1, "best estimate" assumptions should not be "prudent". Therefore we recommend replacing the word "prudent" in c) (iii) with "realistic". Comments in 3.1 are also relevant here.	
1,316.	European Union member firms of Deloitte Touche To	3.237.	Point c.iii. bullet 1. It states that in case expert judgement is applied the undertaking shall "Be prudent in the selection of alternative assumptions." The word "prudent" should be avoided when talking about best estimate. "Careful" seems to indicate better the care that one should take when deciding on the assumptions.	See No 1313
1,317.	Groupe Consultatif	3.237.	(c) is inappropriately restrictive – what is important is that expert professional judgement is exercised using transparent reasoning and that the expert is accountable for the judgements he or she makes. Point c.iii. bullet 1. It states that in case expert judgement is applied the undertaking shall "Be prudent in the selection of alternative assumptions." The word prudent should be avoided when talking about Best estimate. The word "sensible" seems to better indicate the care that one should take when deciding on the assumptions.	See No 1313
1,318.	Institut des actuaires (France)	3.237.	This proposition appears in contradiction with the objective of European directive : (30) In order to allow insurance and reinsurance undertakings to meet their commitments towards policyholders and beneficiaries, Member States should require those undertakings to establish adequate technical provisions. The principles and actuarial and statistical methodologies underlying the calculation of those technical provisions should be harmonised throughout the Community in order to achieve better comparability and	Noted

			transparency. (30) In order to allow insurance and reinsurance undertakings to meet their commitments towards policyholders and beneficiaries, Member States should require those undertakings to establish adequate technical provisions. The principles and actuarial and statistical methodologies underlying the calculation of those technical provisions should be harmonised throughout the Community in order to achieve better comparability and transparency. If CEIOPS assesses : "in practice such processes could vary between undertakings", it will be very difficult to have an harmonised, comparable and transparent industry. One solution could be that level 3 measures allows Local regulator to precise local rules. About expert judgment and opinions Where expert judgment is applied in isolation or applied to an assumption which has a significant impact on the best estimate, undertakings shall: - Be prudent in the selection of alternative assumptions. - Justify the judgement that is made and ensure that its effects are reflected in an objective manner. - Ensure that the judgement applied is reliable by comparing the judgement with other expert opinions either internally (provided they are independent from the original expert) or externally (provided there is no commercial link that may endanger the unbiased opinion of the external expert) and using back-testing techniques as described further in this advice under validation section This principle give a large liberty to undertaking to adopt assumptions the way it prefers and this way could not be the best	

			for protection of insured person. Institut des Actuaires thinks that, particularly about the technical assumptions, the role, responsibility and control of the expert (internal or external) who gives his opinion should be precised in level 3 measures. The redaction proposed leaves a too important liberty to the undertaking.	
1,319.	KPMG ELLP	3.237.	We strongly agree that expert judgement should be applied in conjunction with available information. Under point (c), we disagree that, if relying on expert judgement, then selection of alternative assumptions should be prudent – this implies margins for pessimism and this is not consistent with the principles of Solvency II. We also question the restriction that expert judgment "may be taken into account under the following circumstances". In fact, expert judgment must be made in setting all assumptions, even if that judgment simply leads to acceptance of an assumption derived directly from the data. To set assumptions without applying expert judgment would be inappropriate. Under point f), we welcome the clarity that an insufficiency of data should not stop estimates being made, for example with a new line of business. Under point g), validating, we believe it is unrealistic to expect all external data sources to be validated to the same standards as internal data. Sometimes this would involve pointless duplication, e.g. validation of a published actuarial mortality table. In other cases, it may simply not be possible, e.g. due to reasons of commercial confidentiality. Also, external data received "off the record", e.g. verbal advice from a lawyer regarding the likelihood of winning a disputed claim, is useful and relevant and should not be	Noted See No 1313 Noted See No 1312

			ignored because it cannot be validated.	
1,320.	Lloyd's	3.237.	We strongly agree that expert judgement should be applied in conjunction with available information. Under point (c), we disagree that, if relying on expert judgement, then selection of alternative assumptions should be prudent – this implies margins for pessimism and this is not consistent with the principles of Solvency II. We also question the restriction that expert judgment "may be taken into account under the following circumstances". In fact, expert judgment must be made in setting all assumptions, even if that judgment simply leads to acceptance of an assumption derived directly from the data. To set assumptions without applying expert judgment would be inappropriate. Under point f), we welcome the clarity that an insufficiency of data should not stop estimates being made, for example with a new line of business. Under point g), "validating", we believe it is unrealistic to expect all external data sources to be validated to the same standards as internal data. Sometimes this would involve pointless duplication, e.g. validation of a published actuarial mortality table. In other cases, it may simply not be possible, e.g. due to reasons of commercial confidentiality. Also, external data received "off the record", e.g. verbal advice from a lawyer regarding the likelihood of winning a disputed claim, is useful and relevant and should not be ignored because it cannot be validated.	See No 1319

1,321.	Milliman	3.237.	We disagree that if relying on expert judgement then alternative assumption selections "should be prudent." This could imply that a margin for pessimism is included in the best estimate, which is not consistent with the principles of Solvency II. If the intent of the word "prudent" is to mean "thorough" then we agree.	See No 1313
			While we understand and appreciate the validation step with respect to reliance on external information (point g), we believe it is unrealistic to expect that all external data sources should be validated to the same standards as internal data. For example, validating all of the data sources and assumptions within commercially available natural catastrophe modelling software would be an unrealistic expectation.	See No 1312
1,322.	PricewaterhouseCoopers LLP	3.237.	We welcome the inclusion of general principles for setting assumptions in section 3.9.2. We have the following comments: ☐ Paragraph (a) states that assumptions should be set in a realistic manner and paragraph (c)(iii) states one should be "prudent" in the selection of alternative assumptions. This seems internally inconsistent and inconsistent with the philosophy of valuing technical provisions as the "sum of a best estimate and a risk margin" - Level 1: Article 76(1). More generally according to Level 1 text, the best estimate should be the "probability-weighted average of future cash flows" – Article 76(2). We therefore believe that allowance for uncertainty in estimate, model error etc. should be part of the risk margin (through the SCR requirements) as opposed to an additional loading onto the best estimate.	Noted Agreed See revised text

			☐ The validation requirements for external data in paragraph (g) appear somewhat onerous. We also question whether this criteria should consider in addition: ☐ The materiality of the assumption and the level of credibility that is being placed on the external data in setting the assumption. ☐ The practicality of getting data from external providers, particularly, in terms of time scales and where it is market sensitive. This comment also refers to 3.274	See No 1312
1,323.	PricewaterhouseCoopers LLP	3.237.	We welcome the inclusion of general principles for setting assumptions in section 3.9.2. We have the following comments: ☐ Paragraph (a) states that assumptions should be set in a realistic manner and paragraph (c)(iii) states one should be "prudent" in the selection of alternative assumptions. This seems internally inconsistent and inconsistent with the philosophy of valuing technical provisions as the "sum of a best estimate and a risk margin" - Level 1: Article 76(1). More generally according to Level 1 text, the best estimate should be the "probability-weighted average of future cash flows" – Article 76(2). We therefore believe that allowance for uncertainty in estimate, model error etc. should be part of the risk margin (through the SCR requirements) as opposed to an additional loading onto the best estimate. ☐ The validation requirements for external data in paragraph (g) appear somewhat onerous. We also question whether this criteria should consider in addition: ☐ The materiality of the assumption and the level of credibility that is being placed on the external data in setting the assumption. ☐ The practicality of getting data from external providers,	See No 1322

			particularly, in terms of time scales and where it is market sensitive. This comment also refers to 3.274	
1,324.	Groupe Consultatif	3.239.	We note that both future longevity and future medical expenses are likely to be attributes of the whole market rather than specific to an undertaking and that a collaborative study is therefore more likely to be of value than one commissioned by a single firm.	Noted
1,325.	CEA, ECO-SLV-09-433	3.244.	For clarification, we suggest to replace "Management actions" by "Future management actions".	Agreed See revised text
1,326.	European Insurance CFO Forum	3.244.	"Management actions" should be replaced with "future management actions".	See No 1325
1,327.	Munich RE	3.244.	"Future management actions" instead of "Management actions" for clarification.	See No 1325
1,328.	KPMG ELLP	3.245.	This is a non sequitur. Comparing existing assumptions against other possible alternatives does not "ensure" the adequacy of the former. We suggest replacing "ensure" with "test" and also to insert "reasonable" before "alternatives".	Agreed See revised text
1,329.	Lloyd's	3.245.	This is a non sequitur. Comparing existing assumptions against other possible alternatives does not "ensure" the adequacy of the former. We suggest replacing "ensure" with "test" and also the insertion of "reasonable" before "alternatives".	See No 1328
1,330.	CEA, ECO-SLV-09-433	3.246.	Although Ceiops seems to suggest this list is non-exhaustive, we would request that it should also include currency exchange rates, as these are key rates taken from the financial markets.	Agreed See revised text
1,331.	Federation of European	3.246.	Inflation index is not market information as stated, but it is a population or national information (a statistical information about	Not agreed

	Accountants (FEE)		markets not from markets). It is not a market price.	This refers to future expected inflation which is derived from the market.
1,332.	KPMG ELLP	3.246.	Inflationary drivers for general insurance claims are often complex and opaque. Many commonly used actuarial methods in general insurance rely on implicit assumptions regarding claims inflation. Isolating inflation assumptions and making them market consistent would add enormously to the complexity of the process, compared to current norms, but would not necessarily improve the accuracy of the results. The principle of proportionality should apply in this regard. Inflation index is not market information as stated, but it is a population or national information (a statistical information about markets not from markets). It is not a market price.	Not agreed Simplifications are not part of this CP. See No 1331
1,333.	Lloyd's	3.246.	Inflationary drivers for general insurance claims are often complex and opaque, particularly in the London market. Many commonly used actuarial methods in general insurance rely on implicit assumptions regarding claims inflation. Isolating inflation assumptions and making them market consistent would add enormously to the complexity of the process, compared to current norms, but would not necessarily improve the accuracy of the results. The principle of proportionality should apply in this regard.	See No 1332
1,334.	PricewaterhouseCoopers LLP	3.246.	See comments under 3.252	
1,335.	PricewaterhouseCoopers LLP	3.246.	See comments under 3.252	
1,336.	PricewaterhouseCoopers LLP	3.247.	See comments under 3.252	
1,337.	Pricewaterhou	3.247.	See comments under 3.252	

	seCoopers LLP			
1,338.	Pricewaterhou seCoopers LLP	3.248.	See comments under 3.252	
1,339.	Pricewaterhou seCoopers LLP	3.248.	See comments under 3.252	
1,340.	Pricewaterhou seCoopers LLP	3.249.	See comments under 3.252	
1,341.	Pricewaterhou seCoopers LLP	3.249.	See comments under 3.252	
1,342.	Pricewaterhou seCoopers LLP	3.250.	See comments under 3.252	
1,343.	Pricewaterhou seCoopers LLP	3.250.	See comments under 3.252	
1,344.	Pricewaterhou seCoopers LLP	3.251.	See comments under 3.252	
1,345.	Pricewaterhou seCoopers LLP	3.251.	See comments under 3.252	
1,346.	Pricewaterhou seCoopers LLP	3.252.	Principles for the calibration of stochastic asset models We agree that principles for the calibration of stochastic asset models should be included in Level 2 text with further guidance in Level 3. This is an area where best practice will evolve over time and maybe specific to the economic conditions of certain Member States. In many markets, the duration of financial options and guarantees in insurance liabilities is longer than relevant financial assets. By relevant, we are referring to assets similar to the nature and term of the liabilities, for example, equity index options and swaptions. As a consequence it is necessary to generate “mark to model”	Not agreed Principles of calibratin of stochastic asset model not part of this CP.

			prices. The approach used by many practitioners in calibrating market consistent stochastic asset model can be summarised in the following high level principles: 1. To fit to current, observed and reliable market prices wherever available. This includes consideration of potential errors in observed prices. 2. To set long-term limiting assumptions for ultra-long-term prices based on economic fundamentals and a view of how long-term prices are established. This would include historical analysis and expert judgment. 3. To set a path for intermediate prices that is consistent with the short-term objective market evidence and the long-term subjective assumptions. The extrapolation would be designed to ensure no arbitrage opportunities are introduced and that implied market risk margins are incorporated where possible. These guiding principles applied in a coherent and consistent manner would be used in all situations. For example, where there is no market such as property volatilities and correlations; and where there are limited markets such as emerging economies and longer dated cash flows in developed economies. We recommend that these concepts in appropriate form are included in the Level 2 text. We refer to these principles in our later comments on 3.257 to 3.263. Clearly, there will be a level of judgement in such calibrations, it is therefore important that there is appropriate disclosure and independent scrutiny. The approach to the calibration of stochastic asset models also affects the “avoidable market risk” allowance in the risk margin. Please see our separate response to Consultation Paper 42.	

1,347.	Pricewaterhou seCoopers LLP	3.252.	Principles for the calibration of stochastic asset models We agree that principles for the calibration of stochastic asset models should be included in Level 2 text with further guidance in Level 3. This is an area where best practice will evolve over time and maybe specific to the economic conditions of certain Member States. In many markets, the duration of financial options and guarantees in insurance liabilities is longer than relevant financial assets. By relevant, we are referring to assets similar to the nature and term of the liabilities, for example, equity index options and swaptions. As a consequence it is necessary to generate "mark to model" prices. The approach used by many practitioners in calibrating market consistent stochastic asset model can be summarised in the following high level principles: 1. To fit to current, observed and reliable market prices wherever available. This includes consideration of potential errors in observed prices. 2. To set long-term limiting assumptions for ultra-long-term prices based on economic fundamentals and a view of how long-term prices are established. This would include historical analysis and expert judgment. 3. To set a path for intermediate prices that is consistent with the short-term objective market evidence and the long-term subjective assumptions. The extrapolation would be designed to ensure no arbitrage opportunities are introduced and that implied market risk margins are incorporated where possible. These guiding principles applied in a coherent and consistent manner would be used in all situations. For example, where there is no market such as property volatilities and correlations; and	See No 1346

			where there are limited markets such as emerging economies and longer dated cash flows in developed economies. We recommend that these concepts in appropriate form are included in the Level 2 text. We refer to these principles in our later comments on 3.257 to 3.263. Clearly, there will be a level of judgement in such calibrations, it is therefore important that there is appropriate disclosure and independent scrutiny. The approach to the calibration of stochastic asset models also affects the "avoidable market risk" allowance in the risk margin. Please see our separate response to Consultation Paper 42.	
1,348.	Association of British Insurers	3.253.	We believe firms should have the flexibility to choose between the two approaches considered by CEIOPS ☐ Assumptions about the volatility of a market price based on an analysis of its historic volatility ☐ Volatility assumptions derived from the price of financial instruments where the price of the instrument depends on assumptions regarding future volatility (implied volatility) The use of implied volatilities should be considered as the default approach. However historical volatilities should be an available option in the context of illiquid markets and may be appropriate in extreme market conditions or where implied volatilities are not observable (e.g. real estate).	Noted
1,349.	CEA, ECO-SLV-09-433	3.253.	We believe that implied volatility will normally offer the better approach. By definition implied volatility is the volatility needed in an option pricing model to produce an option price equal to the market price. Using a different volatility, e.g. one based on a historic volatility, will by definition result in a price different to the market price. Given that the purpose of the asset model / economic scenarios is	Noted

			to replicate certain observable market prices implied rather than historic volatility parameters need to be used. However, guidance should be given regarding the most appropriate approach when markets are illiquid, and where no reliable estimator of implied volatility can be calculated. Flexibility of approach is likely to be important here. We accept that in extreme conditions it may be appropriate to include an analysis of historical volatility.	
1,350.	PEARL GROUP LIMITED	3.253.	The use of implied volatilities should be considered as the default approach. However historical volatilities should be an available option in the context of illiquid markets and may be appropriate in extreme market conditions.	Noted
1,351.	PricewaterhouseCoopers LLP	3.253.	See comments under 3.257	
1,352.	PricewaterhouseCoopers LLP	3.253.	See comments under 3.257	
1,353.	Association of British Insurers	3.254.	See comments under 3.253	
1,354.	CEA, ECO-SLV-09-433	3.254.	The observation in a) that implied volatility is a poor estimator for real volatility is correct, but not relevant. Implied rather than historic volatility should be used as explained in 3.253. a) The comment that implied volatility is misestimating the real volatility needs some qualification. Implied volatility is a pure estimate of future historical volatility but also incorporates other limitations of the Black-Scholes formula from which it is derived. So implied volatility includes the impact on equity option prices of the capital cost of hedging volatility, the impact of stochastic interest rates and for longer tenors also the impact of structural supply-demand issues as there is no natural party to take short option	Noted

			positions. b) It can be shown that there is a structural difference between implied volatility and observed equity volatility in both good times and crisis times (implied vol is about 100% to 120% of historical volatility pending the market). One important aspect in crisis times is that for longer tenors with limited liquidity, implied volatility will be more driven by liquidity than by real volatility. For shorter tenors, even in crisis times the implied volatility is a realistic estimator of actual volatility. c) Implied volatility is the parameter to put in the Black-Scholes model to get the market price. So whether or not the Black-Scholes model is valid is not an issue. It does impact how you calibrate as you cannot simply state that implied volatility is the pure equity volatility as it also incorporates e.g. the impact of stochastic interest rates.	
1,355.	CRO Forum	3.254.	This paragraph provides the advantages of using historical volatilities by discussion the disadvantages of using implied volatilities. On this discussion we have the following comments: a) The comment that implied volatility is misestimating the real volatility needs some qualification. Implied volatility is a pure estimate of future historical volatility but also incorporates other limitations of the Black&Scholes formula from which it is derived. So implied volatility includes the impact on equity option prices of the cost of hedging volatility, the impact of stochastic interest rates and for longer tenors also the impact of structural supply-demand issues as there is no natural party of take short option positions. b) It can be shown that there is a structural difference between implied volatility and observed equity volatility in both good times and crisis times (implied volatility is about 100% to 120% of historical volatility pending the market). One important aspect in crisis times is that for longer tenors with limited liquidity, implied	Noted

			volatility will be more driven by liquidity than by real volatility. For shorter tenors, even in crisis times the implied volatility is a realistic estimator of actual volatility. c) The wording in this paragraph is not correct. Implied volatility is the parameter to put in the B&S model to get the market price. So whether or not the B&S model is valid is not an issue. It does impact how you calibrate as it is not correct to simply state that implied volatility is the pure equity volatility as it also incorporates e.g. the impact of stochastic interest rates.	
1,356.	PricewaterhouseCoopers LLP	3.254.	See comments under 3.257	
1,357.	PricewaterhouseCoopers LLP	3.254.	See comments under 3.257	
1,358.	SOGECORE	3.254.	Implied volatilities may lead to a choice of only a few types of assets that would pressure the markets and might lead to even higher volatility	Noted
1,359.	PricewaterhouseCoopers LLP	3.255.	See comments under 3.257	
1,360.	PricewaterhouseCoopers LLP	3.255.	See comments under 3.257	
1,361.	SOGECORE	3.255.	The use of historical volatilities should imply the setting of common rules on defining a time horizon for the relevance of data, as this horizon could or could not contain stress situations, and would materially differ from current market conditions for instance.	Not agreed Defining the time horizon is Level 3 advice
1,362.	CEA, ECO-SLV-09-433	3.256.	We agree that in some cases it is more appropriate to rely on historical data rather than implied volatility data. However, the example given is not very clear. One valid reason to extrapolate the implied volatility curve using a historical volatility measure would be due to the limited liquidity of observed market implied volatility.	Noted

1,363.	CRO Forum	3.256.	We agree that in some cases it is more appropriate to rely on historical data rather than implied volatility data. The example given is not very clear to us nor seems to be correct. One valid reason is to extrapolate implied volatility curve towards an historical volatility measure is limited liquidity of observed market implied volatility.	See No 1362
1,364.	Pricewaterhou seCoopers LLP	3.256.	See comments under 3.257	
1,365.	Pricewaterhou seCoopers LLP	3.256.	See comments under 3.257	
1,366.	AAS BALTA	3.257.	Asset model assumptions have little impact on non-life technical provisions and so we make no further comment on this issue.	Noted
1,367.	AB Lietuvos draudimas	3.257.	Asset model assumptions have little impact on non-life technical provisions and so we make no further comment on this issue.	See No 1366
1,368.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCE S DU	3.257.	- We are in favour of implied volatilities because this is consistent with market observed prices. Nevertheless, based on appropriate justification, allowance should be made to use either historical volatilities or an average of the last observable implied volatilities. - Level 3 Guidance - No opinion at the moment.	Noted
1,369.	AMICE	3.257.	The implied volatility of an option contract is the volatility implied by the market price of the option based on an option pricing model. Implied volatility is a forward-looking measure, which differs from historical volatility because the latter is calculated from the known past prices of a security. However, we acknowledge that historical volatilities are more stable. AMICE members advocate applying implied volatilities as long as they do not represent extreme market conditions and illiquid	Noted

			market. This should be specified at level 3.	
1,370.	Association of British Insurers	3.257.	See comments under 3.253 If appropriate implied volatility, derived from currently tradable instruments in orderly markets, is available, (re)insurers should use it, otherwise, only if implied volatility cannot be derived, historical volatility can be used.	Noted
1,371.	Association of Friendly Societies	3.257.	Overall, we believe that judgement should be used here and either method should be acceptable and may be the most correct answer in different circumstances and differing markets. We believe that implied volatilities are too volatile as they are heavily affected by market conditions on a day to day basis. The options and futures market has proved not to be deep and liquid enough in the recent past to provide useful forecasts on the future. We also believe that implied volatilities in 2006 and 2007 were far too low compared with the underlying risk as the markets were too confident. Therefore, we would suggest that historic volatilities should be used with a time frame as long as possible. For UK equities, we would suggest at least a hundred years to include the market crashes in the 1930s and the 1974 crash. On a technical point of view, the implied volatility would be affected by undertakings using the market to hedge their risks and could be distorted. No such distortion would apply to historic data. Judgement is necessary on historic data to interpret results especially during times of major European wars. On a practical viewpoint, we would suggest that implied volatilities can be used if the market exists and the historic data is not there but with considerable judgement being applied.	Noted
1,372.			Confidential comment deleted.	
1,373.	CEA,	3.257.	Implied volatility would often be the first choice, however the use of	Noted

	ECO-SLV-09-433		historical volatility should be available as an alternative, especially under stressed market conditions, and a mixture of both could be appropriate in certain circumstances. Both should be specified at level 2. Where markets are stressed, there may be little if any market information on which to calibrate market-consistent asset models. In such circumstances a pragmatic approach is needed using techniques such as extrapolation, equilibrium models, historic data and expert judgement. The CEA supports market-consistent valuation techniques and believes them to be the most appropriate and objective methods. However, we recognise that in stressed market conditions there is a risk of pro-cyclicality as well as a possible lack of reliable market data and that the solvency system needs to be flexible enough to mitigate this. Each financial crisis has its own unique characteristics and it is impossible to anticipate these in advance, making it hard to have rigid processes and rules in place. We therefore suggest that there is sufficient flexibility within the supervisory system to adapt the requirements governing the valuation of assets, liabilities, capital amounts, etc and/or when/what supervisory actions are taken, e.g. if a company breaches its SCR. Recital 31 of the Framework Directive states that technical provisions should be market consistent, therefore we note that if appropriate implied volatility, derived from currently tradable instruments, is available, (re)insurers should use it, otherwise, historical volatility can be used. Hence, although implied volatility would often be the first choice, the use of historical volatility should be an available option to be specified at level 2 as an alternative to implied volatility. Furthermore, there may be cases where a mixture of the two could be the most appropriate (i.e. it may be appropriate to temper the extremes with some measure of historic.)	

			The question is how we can combine the use of implied volatility and historical volatility in a market consistent manner. We propose the following procedure: ☐ Implied volatility should be applied for tenors in which there is a fair and orderly market. For each market we need to determine up until what tenor there is reliable market data available. When market data becomes less reliable, such as observed in Q4 2008, we should apply a shorter cut-off tenor up until which point market implied volatility is used. ☐ This cut-off tenor should be extrapolated towards a long-term implied volatility. Extrapolation should be done such that this long-term implied volatility takes into account the structural difference between historical and implied volatility, i.e. so it equals historical volatility times a multiplier, which is based on observerable differences between short-dated implied volatility and short-dated historical volatility. ☐ For markets where no market implied volatility is available, estimation of a short-term implied volatility should be derived from the short-term historical volatility, based on the volatility of alternative available asset classes with similar characteristics, but for which the market remains fair and orderly.	
1,374.	CRO Forum	3.257.	In this paragraph CEIOPS asks whether implied or historical volatilities are more appropriate for the assumption underlying the asset model. Generally speaking we believe that implied volatilities should be used where there is relevant current market information that is not considered distorted by stressed market conditions; where there is insufficient current relevant market information, or stressed market conditions, then historical volatilities or other estimations should be used. This requires expert judgement. For example historical data may be at a point of time or averaged over a period. Level 2	Noted

			guidance should set out this approach in principle, with more detailed guidance on availability of current relevant information and definition of stressed market conditions to be included in Level 3 guidance. From a more technical perspective. the question is not whether implied volatility or historical volatility should be used rather how we can combine them in a market consistent manner. Following our views on how this can be achieved: 1. Application of implied volatility for tenors where there is a liquid market available. When markets become less liquid as observed in Q4 2008 we apply a shorter cut-off tenor until what point market implied volatility is used. 2. Extrapolation from the information arrived at in the previous step towards a long-term implied volatility. Extrapolation can be done such that the projection takes into account the structural difference between historical and implied volatility, so it equals historical volatility times a multiplier, which is based on observable differences between short-dated liquid implied volatilities and short-dated historical volatility. 3. For markets where no market implied volatility is available a similar approach can be used, i.e. estimate the short-term implied volatility from short-term historical volatility and then extrapolate towards the long-term implied volatility.	
1,375.	DENMARK Codan Forsikring A/S (10529638)	3.257.	Asset model assumptions have little impact on non-life technical provisions and so we make no further comment on this issue.	Noted
1,376.	DIMA (Dublin International Insurance & Management	3.257.	In determining whether implied volatility is a better measure than historic volatility it may be appropriate to have due regard to the known or existing understanding of the relationship between implied volatility and historic volatility. Furthermore it is important	Noted

			to keep in mind the nature of the volatility or diffusion process of market prices in general and the models that are used in practice. As such, the answer may not be "either/or" but how to capture the useful information from both and consider this in the context of the underlying models to be employed and the policy choice of CEIOPS. In this regard, where the supreme aim of the valuation is to establish market consistent prices it would appear to make sense to calibrate asset prices to liquid market instruments (consistent with the requirements of Reliable Replication as per CP41) and then to seek to explore appropriate frameworks for extrapolation and interpolation into the unobservable or unreliable components of the market. As such the liability valuation is a blend of mark to market and mark to model, but in aggregate market consistent. Dealing with unobservable prices for volatility: In particular, it is possible to capture the mean reverting nature of volatility and modify it for a stabilised cost of capital and skewness to develop a long term "liquid" or "efficient" market rate thus eliminating the liquidity impacts in the market. This allows the calibration to retain important features for either estimation error or future hedging costs as we move through time and the mark to model liabilities advance to mark to market. It would seem inappropriate to ignore these components and in this regards we would then look to further guidance from CEIOPS on extrapolation and interpolation techniques. A consequence of such calibration is that the cost of capital for the Market Risk Margin is internalised within the Best Estimate and thus need not be included in the Unavoidable Market Risk Margin contemplated in CP42. Such an approach will not address the concern expressed as regards to volatility in liability prices that are reliably replicable	

			(noting that by definition such exposures are hedgeable). As such, there is an element of choice for undertakings as to how to respond to this. If CEIOPS considers an appropriate aim may be to address pro-cyclicality in financial markets, it is arguable that a more stabilised approach should be taken, perhaps by using a static or stabilised approach to calibrating volatility. This does not necessarily mean "historic" volatility but recognises some level of "through the cycle volatility" (akin to CEIOPS' approach in addressing Counterparty Default) with adjustments for costs of capital and model selection, and perhaps some econometric considerations. It is also worth noting that the liabilities will still be significantly volatile owing to the first order sensitivities to market levels. As such the use of static volatility parameters will solely act to dampen variation in the time value of options and guarantees. Depending on the choice of calibration of a "static" volatility parameter the Best Estimate may internalise the Market Risk Margin or require it is added back through direct calculation. As such the first issue at hand is not so much of parameter selection or assumption setting but of policy choice and implementation. In this regard, the life reinsurer members of DIMA express no clear preference. The second issue is one of implementation, and in particular making allowance for market risk margins in respect of the residual risks, which will need to consider the policy choice above. In this regards DIMA would outline that the market risk margins associated with volatility can be accommodated either implicitly in parameterisation and calibration of the volatility surface or directly through allowances for residual market risk in the projection of SCR's. Therefore DIMA proposes that undertakings should be free	

			to select their method of implementation by identifying that adjusted calibration is an appropriate simplification for volatility risks.	
1,377.	Dutch Actuarial Society – Actuarieel Genootschap (	3.257.	We favor implied volatilities for the purpose of market consistent valuation. Only in specific situations, historical volatilities could be used. Such a situation may occur at illiquid (stressed) markets. The specific exceptions should be coordinated with actuarial societies and supervisors.	Noted
1,378.	European Insurance CFO Forum	3.257.	Level 2 implementing measures are required to clarify the treatment of volatilities in distorted market conditions. In distorted market conditions we should move away from implied volatilities e.g. to historical volatilities.	Noted
1,379.	European Union member firms of Deloitte Touche To	3.257.	If the market is considered to be deep, liquid and transparent, implied volatilities should be considered when data is available. They reflect current situation on the market, thus are closer to the principles of market consistent valuation; in addition, they correspond to the way the market participants are valuing financial instruments (using Black-Scholes formula). However, when a market is under stressed conditions, historic (i.e. smoothed) volatilities could be used to avoid a procyclical effect. Clarification on the definition of deep/liquid & transparent should be provided as well as definition of when a market is considered to be under stress (i.e. it stops being liquid and transparent) Should this be developed at Level 2 or Level 3? This relates to technical specifications so it should probably be provided at Level 3. However, due to the risk of a lack of harmonization across member states, there should be at least a definition of what constitutes stressed market conditions leading to the use of historic volatilities.	Noted
1,380.	FFSA	3.257.	Questions to stakeholders about implied vs. historical volatility	Noted

			FFSA thinks that use of historical volatilities should be an available option to be specified at level 2 as an alternative to implied volatilities.	
1,381.			Confidential comment deleted.	
1,382.	Groupama	3.257.	We would be in favour of historical volatilities, which are more stable than implied ones. Implied volatilities could moreover lead to unwanted pro-cyclical effects	Noted
1,383.	Groupe Consultatif	3.257.	These are not mutually exclusive. Implied volatility normally is the more germane to current estimate valuations, but at times of stress it will be appropriate to have regard also to historic volatility. It is a matter of professional judgement (to be supported by transparent reasoning) as to the appropriate degree of regard to be had to implied and to historical volatility. Overall, we believe that judgement should be used here and either method should be acceptable and may be the most correct answer in different circumstances and differing markets. We believe that implied volatilities are too volatile as they are heavily affected by market conditions on a day to day basis. The options and futures market has proved not to be deep and liquid enough in the recent past to provide useful forecasts on the future. We also believe that implied volatilities in 2006 and 2007 were far too low compared with the underlying risk as the markets were too confident. Therefore, we would suggest that historic volatilities should be used with a time frame as long as possible. For UK equities, we would suggest at least a hundred years to include the market crashes in the 1930s and the 1974 crash. On a technical point of view, the implied volatility would be affected by undertakings using the market to hedge their risks and could be distorted. No such distortion would apply to historic data. Judgement is necessary on historic data to interpret results	Noted

			especially during times of major European wars. On a practical viewpoint, we would suggest that implied volatilities can be used if the market exists and the historic data is not there but with considerable judgement being applied.	
1,384.	Institut des actuaires (France)	3.257.	If the market is considered to be deep, liquid and transparent, implied volatilities should be considered when possible. This stands not only for implied volatilities but also for financial instruments. In so far as this question deals with technical issues whose features may evolve quickly under specific market conditions, such a choice should be specified in the Level 3 Guidance process. Remark: What are the specifications of a deep, liquid and transparent market? How and when does a deep, liquid and transparent market become an inefficient market?	Noted
1,385.	Investment & Life Assurance Group (ILAG)	3.257.	Overall, we believe that judgement should be used here and either method should be acceptable and may be the most correct answer in different circumstances and differing markets. We believe that implied volatilities are too volatile as they are heavily affected by market conditions on a day to day basis. The options and futures market has proved not to be deep and liquid enough in the recent past to provide useful forecasts on the future. We also believe that implied volatilities in 2006 and 2007 were far too low compared with the underlying risk as the markets were too confident. Therefore, we would suggest that historic volatilities should be used with a time frame as long as possible. For UK equities, we would suggest at least a hundred years to include the market crashes in the 1930s and the 1974 crash. On a technical point of view, the implied volatility would be affected by undertakings using the market to hedge their risks and could be distorted. No such distortion would apply to historic data.	Noted

			Judgement is necessary on historic data to interpret results especially during times of major European wars. On a practical viewpoint, we would suggest that implied volatilities can be used if the market exists and the historic data is not there but with considerable judgement being applied.	
1,386.	Just Retirement Limited	3.257.	In unstressed conditions, where sufficient and credible market data exists to enable a calibration of implied volatilities, implied volatilities should be used. This should be the default case. However, the recent credit crisis shows the potentially pro-cyclical effect of using implied volatilities in all conditions. In particular, when option markets are highly illiquid, option prices ceases to reflect expectations, and instead show extreme risk-aversion. Using implied volatilities in calculation of the technical provisions in these circumstances would lead to double-counting with the SCR. In stressed circumstances, we therefore support using historic volatility, or perhaps average unstressed implied volatility over an appropriate period (recognising that implied volatilities might be too low immediately prior to a crisis). Where implied volatilty data does not exist (eg for particular asset classes such as residential or commercial property), historic volatilities should be used. For these situations historic volatilities would need to be used in both “normal” and stressed market conditions. A general statement to this effect would be useful at level 2, with detailed guidance developed under level 3 to reflect the characteristics of specific markets and liability classes.	Noted
1,387.	KPMG ELLP	3.257.	We would recommend using historical volatility as the key criteria from a solvency perspective is not to underestimate the volatility before a crisis. Additionally, historical volatilities are not pro-cyclical. The implied volatility is based on the Black-Sholes model	Noted

			which underestimate the tail of distributions as it is based on normal assumptions. If historical volatility is the best measure from a solvency perspective, implied volatility has the advantage of being market consistent. However, market-consistency can lead to underestimation of the risks and significant errors in the estimation forecast as the recent financial crisis has shown.	
1,388.	Link4 Towarzystwo Ubezpieczeń SA	3.257.	Asset model assumptions have little impact on non-life technical provisions and so we make no further comment on this issue.	Noted
1,389.	Lucida plc	3.257.	We feel that implied volatilities are more appropriate. However companies should be allowed to use historical volatilities where justifiable (for example during times of crisis).	Noted
1,390.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.257.	Asset model assumptions have little impact on non-life technical provisions and so we make no further comment on this issue.	Noted
1,391.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.257.	Asset model assumptions have little impact on non-life technical provisions and so we make no further comment on this issue.	Noted
1,392.	OAC Actuaries and Consultants	3.257.	Overall, we believe that judgement should be used here and either method should be acceptable and may be the most correct answer in different circumstances and differing markets. We believe that implied volatilities are too volatile as they are	Noted

			heavily affected by market conditions on a day to day basis. The options and futures market has proved not to be deep and liquid enough in the recent past to provide useful forecasts on the future. We also believe that implied volatilities in 2006 and 2007 were far too low compared with the underlying risk as the markets were too confident. Therefore, we would suggest that historic volatilities should be used with a time frame as long as possible. For UK equities, we would suggest at least a hundred years to include the market crashes in the 1930s and the 1974 crash. On a technical point of view, the implied volatility would be affected by undertakings using the market to hedge their risks and could be distorted. No such distortion would apply to historic data. Judgement is necessary on historic data to interpret results especially during times of major European wars. On a practical viewpoint, we would suggest that implied volatilities can be used if the market exists and the historic data is not there but with considerable judgement being applied.	
1,393.	PEARL GROUP LIMITED	3.257.	Feedback Requested Pearl believes that implied volatilities is a better method as this is likely to lead to a more stable for companies that have hedges. If historic rates are used there will be movements in the balance sheet that will imply there is more volatility there than it should. However, if implied volatilities aren't available then historical volatilities should be used. This should be covered in Level 2 guidance.	Noted
1,394.	Pricewaterhou seCoopers LLP	3.257.	Implied versus historic option volatilities We believe that in "reliable" markets implied volatilities at the valuation date should be used to calibrate stochastic asset models and that this should be defined in Level 2 text. If there is a	Noted

			departure from this approach in such markets then this would contradict Article 75 (3) of the Level 1 text: "… consistent with information provided by the financial markets … (market consistency)". In addition, following Recital 31: "… calculation of technical provisions should be consistent with valuation of assets and other liabilities, market consistent and in line with international developments in accounting and supervision" there would be an inconsistency with the valuation of assets. For example, equity options would be held at market value on the asset side, whilst options and guarantees with equivalent characteristics would be valued differently on the liability side. The question is then to consider up to what term option market prices are "reliable" and the methods to apply when this is not the case. We provide comment on the definition of "reliable" in CP 39 under 3.260. On the methods to apply: No reliable prices (e.g. some developing economies) Where there are no relevant reliable option market prices, a range of factors would need to be considered, for example: ☐ Historical volatilities. ☐ Historic links between implied and historical volatility in differing conditions. ☐ Economic fundamentals. ☐ Implied volatilities from countries with similar sovereign risk and market stability. ☐ Insight gained from available prices (though not fully reliable, but may exist) Some reliable prices (e.g. some developed economies) In such economies, the consideration would include:	

			☐ Insight gained from available prices (though not fully reliable, but may exist) ☐ Technical features relating to the model chosen (e.g. ability to reproduce the characteristics of the implied volatility surface such as the trend across both the term and strike). ☐ Use of long term limiting assumptions set based on economic fundamentals. This is the second principle noted in 3.252. ☐ Insight gained from the structure of the implied volatility surface in similar economies. ☐ Extrapolation (or interpolation) methods should ensure no arbitrage possibilities are introduced. In both situations, there will be significant judgement applied so appropriate disclosure and independent scrutiny should be required. The approach to the calibration of stochastic asset models also affects the “avoidable market risk” allowance in the risk margin. Please see our separate response to Consultation Paper 42.	
1,395.	PricewaterhouseCoopers LLP	3.257.	Implied versus historic option volatilities We believe that in “reliable” markets implied volatilities at the valuation date should be used to calibrate stochastic asset models and that this should be defined in Level 2 text. If there is a departure from this approach in such markets then this would contradict Article 75 (3) of the Level 1 text: “… consistent with information provided by the financial markets … (market consistency)”. In addition, following Recital 31: “… calculation of technical provisions should be consistent with valuation of assets and other liabilities, market consistent and in line with international developments in accounting and supervision” there would be an inconsistency with the valuation of assets. For example, equity	Noted

			options would be held at market value on the asset side, whilst options and guarantees with equivalent characteristics would be valued differently on the liability side. The question is then to consider up to what term option market prices are "reliable" and the methods to apply when this is not the case. We provide comment on the definition of "reliable" in CP 39 under 3.260. On the methods to apply: No reliable prices (e.g. some developing economies) Where there are no relevant reliable option market prices, a range of factors would need to be considered, for example: ☐ Historical volatilities. ☐ Historic links between implied and historical volatility in differing conditions. ☐ Economic fundamentals. ☐ Implied volatilities from countries with similar sovereign risk and market stability. ☐ Insight gained from available prices (though not fully reliable, but may exist) Some reliable prices (e.g. some developed economies) In such economies, the consideration would include: ☐ Insight gained from available prices (though not fully reliable, but may exist) ☐ Technical features relating to the model chosen (e.g. ability to reproduce the characteristics of the implied volatility surface such as the trend across both the term and strike). ☐ Use of long term limiting assumptions set based on economic fundamentals. This is the second principle noted in	

			3.252. ☐ Insight gained from the structure of the implied volatility surface in similar economies. ☐ Extrapolation (or interpolation) methods should ensure no arbitrage possibilities are introduced. In both situations, there will be significant judgement applied so appropriate disclosure and independent scrutiny should be required. The approach to the calibration of stochastic asset models also affects the "avoidable market risk" allowance in the risk margin. Please see our separate response to Consultation Paper 42.	
1,396.	RBS Insurance	3.257.	We believe historic volatilities are more appropriate for the calibration, but that they should be validated against the implied volatilities. This should be specified now to reduce risk of lack of clarity.	Noted
1,397.	ROAM	3.257.	ROAM thinks that use of historical volatilities should be an available option to be specified at level 2 as an alternative to implied volatilities.	Noted
1,398.	RSA Insurance Group PLC	3.257.	Asset model assumptions have little impact on non-life technical provisions and so we make no further comment on this issue.	Noted
1,399.	RSA Insurance Ireland Ltd	3.257.	Asset model assumptions have little impact on non-life technical provisions and so we make no further comment on this issue.	Noted
1,400.	RSA - Sun Insurance Office Ltd.	3.257.	Asset model assumptions have little impact on non-life technical provisions and so we make no further comment on this issue.	Noted
1,401.	SOGECORE	3.257.	Implied volatilities are easy to control for the regulator, but definitely are imposing a too big burden on certain categories of assets, especially for reinsurance underwriters that traditionally underwrite risk with low frequency and high exposure and that are	Noted

			clearly looking for better returns than those offered by bond markets.	
1,402.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.257.	Asset model assumptions have little impact on non-life technical provisions and so we make no further comment on this issue.	Noted
1,403.	XL Capital Ltd	3.257.	We do not believe that the use of implied or historical volatilities should be prescribed in the Level 2 advice. Implied volatilities may be appropriate in most circumstances, but historical volatilities may be appropriate in illiquid (stressed) market conditions.	Noted
1,404.	Association of Friendly Societies	3.258.	This paragraph would require implied volatilities to be used.	Noted
1,405.			Confidential comment deleted.	
1,406.	CEA, ECO-SLV-09-433	3.258.	The CEA agrees with these criteria and notes that they cannot be achieved without using appropriate implied volatility parameters.	Noted
1,407.	Groupe Consultatif	3.258.	We are not sure what is intended by the apparent suggestion that an asset model shall deliver prices for liabilities that can be verified by the market. This paragraph would require implied volatilities to be used.	Agreed See revised text See No 1404
1,408.	OAC Actuaries and Consultants	3.258.	This paragraph would require implied volatilities to be used.	See No 1404
1,409.	Pricewaterhou seCoopers LLP	3.258.	We query whether 3.258(a) should refer to reproducing asset prices for the most significant liabilities by nature and term rather than	Agreed

			the whole asset price universe. We refer to 3.249 which states the following from the QIS 4 Technical Specification: "TS.II.D.59 It should be noted that few (if any) asset models can replicate all the observable market values for a wide range of asset classes." This comment refers also to 3.275	See revised text
1,410.	Pricewaterhou seCoopers LLP	3.258.	We query whether 3.258(a) should refer to reproducing asset prices for the most significant liabilities by nature and term rather than the whole asset price universe. We refer to 3.249 which states the following from the QIS 4 Technical Specification: "TS.II.D.59 It should be noted that few (if any) asset models can replicate all the observable market values for a wide range of asset classes." This comment refers also to 3.275	See No 1409
1,411.	Association of British Insurers	3.259.	This links to CP40 – It is more appropriate to calibrate the risk-free curve to swap rates rather than government bond rates.	Not agreed This is not the issue of this CP
1,412.			Confidential comment deleted.	
1,413.	CEA, ECO-SLV-09-433	3.259.	This links to CP40 – It is more appropriate to calibrate the risk-free curve to swap rates rather than government bond rates. Equity implied volatilities and swaption vols in the market are quoted on the basis of a risk-free curve which is based on swap rates. In CP40 Ceiops proposes to use the government rates as the risk free curve. This has serious implications for the calibration process as market implied volatility data first has to be "translated" to volatilities based on this new curve. We believe that swap is the more appropriate curve to be used for calibration and risk-neutral scenarios. Pricing embedded options based on government curves is not consistent with the banking world that is pricing the market instruments to which we need to calibrate.	See No 1411
1,414.	CRO Forum	3.259.	This paragraph defines the principles for determination the	See No 1411

			calibration of a market consistent asset model. On section b) we note that equity implied volatilities and swap volatilities in the market are quoted on the basis of a risk-free curve that is based on swap rates. In CP 40 CEIOPS proposes to use the government rates as the risk free curve. This has serious implications for the calibration process as market implied volatility data first has to be "translated" to volatilities based on this new curve. As stated in our comments to CP 40, we believe that swap is the more appropriate curve to be used for calibration and risk-neutral scenarios. Pricing embedded options based on government curves is not consistent with the banking world that is pricing the market instruments to which we need to calibrate.	
1,415.	PEARL GROUP LIMITED	3.259.	It is more appropriate to calibrate the risk-free curve to swap rates rather than government bond rates. This should be consistent with CP 40.	See No 1411
1,416.	Pricewaterhou seCoopers LLP	3.259.	We agree with the high level principles specified in 3.259. We refer to 3.257 and our request that further guidance over the volatility assumption is provided in Level 2 text. This comment refers also to 3.276	Noted
1,417.	Pricewaterhou seCoopers LLP	3.259.	We agree with the high level principles specified in 3.259. We refer to 3.257 and our request that further guidance over the volatility assumption is provided in Level 2 text. This comment refers also to 3.276	See No 1416
1,418.	Association of Friendly Societies	3.260.	The corrections suggested in the paragraph and the requirements on the market imply that the resulting asset models will not be market consistent. The requirements on deep liquid markets are too restrictive. No market is always available even in very stressed conditions.	Noted
1,419.	CEA,	3.260.	It is difficult to prove if a market is expected to be permanently deep, liquid and transparent.	Not agreed

	ECO-SLV-09-433		As noted in previous CEA positions, it is difficult to qualify as permanent the features of a deep, liquid and transparent financial market. ☐ We would recommend the deletion of the third requirement.	Definition of deep, liquid and transparent market is not the issue of this CP
1,420.	Groupe Consultatif	3.260.	The corrections suggested in the paragraph and the requirements on the market imply that the resulting asset models will not be market consistent. The requirements on deep liquid markets are too restrictive. No market is always available even in very stressed conditions.	See No 1418
1,421.	Investment & Life Assurance Group (ILAG)	3.260.	The corrections suggested in the paragraph and the requirements on the market imply that the resulting asset models will not be market consistent. The requirements on deep liquid markets are too restrictive. No market is always available even in very stressed conditions.	See No 1418
1,422.	OAC Actuaries and Consultants	3.260.	The corrections suggested in the paragraph and the requirements on the market imply that the resulting asset models will not be market consistent. The requirements on deep liquid markets are too restrictive. No market is always available even in very stressed conditions.	See No 1418
1,423.	PricewaterhouseCoopers LLP	3.260.	Definition and application of "deep, liquid and transparent" The definition of deep, liquid and transparent is identical to Consultation Paper 41 (Circumstances in which technical provisions shall be calculated as a whole) – please see our separate response to this paper. Many of the assets used to calibrate market consistent stochastic models are unlikely to meet the definition of deep, liquid and transparent. For example, equity options in the UK are only publicly available for short durations (less than 1 year) although there are Over The Counter (OTC) quotes on major indices available for up to 10 years.	See No 1419

			Consequently, there will be a need for any "distortions" to be corrected in a "prudent, objective and reliable manner" [3.260] and for companies to justify that the calibration is "appropriate and in line with all relevant criteria set out in the Level 1 text" [3.261]. We welcome the sentiment in these statements, however, further guidance on the application would be helpful to achieve greater consistency and harmonisation. For example: ☐ Are "distortions" referring to rejection of rogue data, supply and demand imbalances or other aspects? ☐ What methods could be used to correct distortions? We caution the use of "prudent" methods as there is a potential double count in the allowance for the risk exposure given the inclusion of "unavoidable market risk" in the risk margin. Please see our separate response to Consultation Paper 42. ☐ What is "appropriate" measured against? Could "appropriate" be used to justify a move away from reliable OTC equity implied options to historic volatilities? We would be concerned by this. We note that this guidance may need to be at Member State level given the uniqueness of different markets. As a concluding remark, to facilitate comparability and harmonisation, it may be helpful for an industry or regulatory body to collate and publish derivative prices for various markets on a regular basis for the purpose of benchmarking OTC option prices in market consistent valuations. This comment also refers to 3.261 and 3.277-79.	Not agreed Guidance are not part of this CP Not agreed It refers to any distortions Agreed See revised tet Agreed See revised text Not agreed Guidance are not part of this CP.
1,424.	Pricewaterhou seCoopers LLP	3.260.	Definition and application of "deep, liquid and transparent" The definition of deep, liquid and transparent is identical to	See No 1423

			Consultation Paper 41 (Circumstances in which technical provisions shall be calculated as a whole) – please see our separate response to this paper. Many of the assets used to calibrate market consistent stochastic models are unlikely to meet the definition of deep, liquid and transparent. For example, equity options in the UK are only publicly available for short durations (less than 1 year) although there are Over The Counter (OTC) quotes on major indices available for up to 10 years. Consequently, there will be a need for any "distortions" to be corrected in a "prudent, objective and reliable manner" [3.260] and for companies to justify that the calibration is "appropriate and in line with all relevant criteria set out in the Level 1 text" [3.261]. We welcome the sentiment in these statements, however, further guidance on the application would be helpful to achieve greater consistency and harmonisation. For example: ☐ Are "distortions" referring to rejection of rogue data, supply and demand imbalances or other aspects? ☐ What methods could be used to correct distortions? We caution the use of "prudent" methods as there is a potential double count in the allowance for the risk exposure given the inclusion of "unavoidable market risk" in the risk margin. Please see our separate response to Consultation Paper 42. ☐ What is "appropriate" measured against? Could "appropriate" be used to justify a move away from reliable OTC equity implied options to historic volatilities? We would be concerned by this. We note that this guidance may need to be at Member State level given the uniqueness of different markets. As a concluding remark, to facilitate comparability and harmonisation, it may be helpful for an industry or regulatory body to collate and publish derivative prices for various markets on a	

			regular basis for the purpose of benchmarking OTC option prices in market consistent valuations. This comment also refers to 3.261 and 3.277-79.	
1,425.	Pricewaterhou seCoopers LLP	3.261.	See comments under 3.260	
1,426.	Pricewaterhou seCoopers LLP	3.261.	See comments under 3.260	
1,427.	Pricewaterhou seCoopers LLP	3.262.	We agree that for the parameters illustrated in this paragraph (e.g. correlations) there are currently no market instruments to calibrate to and therefore other methods need to be considered. We question whether this paragraph permits the use of statistical analysis when there is reliable market data, though we do not believe it is the intention of it. This comment also refers to 3.280.	Yes this paragraph permits the use of statistical analysis when there is reliable market.
1,428.	Pricewaterhou seCoopers LLP	3.262.	We agree that for the parameters illustrated in this paragraph (e.g. correlations) there are currently no market instruments to calibrate to and therefore other methods need to be considered. We question whether this paragraph permits the use of statistical analysis when there is reliable market data, though we do not believe it is the intention of it. This comment also refers to 3.280.	See No 1427
1,429.	CRO Forum	3.263.	This paragraph delays additional guidance on areas of calibration to level 3. We believe that the list includes some essential assumptions from and economic scenario generation (ESG) perspective and would prefer to clarify the position CEIOPS expects to take on these at level 2 rather than level 3 for the following reasons; ☐ These assumptions are required to perform calibrations of	Not agreed This is not part of this CP.

			the internal model and therefore will be a key part to documentation and validation workstreams. In order to sufficiently project manage development of the internal model and ensure a timely approval the advice on the aforementioned assumptions is preferred in level 2 text. ☐ Included within level 2 text would also ensure consistency across all EEA countries.	
1,430.	European Insurance CFO Forum	3.263.	The assumptions set out in 3.263 are important for ESG calibrations. We recommend that the assumptions are specified in level 2 implementing measures instead of level 3. These are important assumptions from an economic scenario generator perspective. Reasons for specifying these at level 2 are: ☐ Model approval will start in the second half of 2010 and the Level 3 text will not be published until 2010. Therefore, this will impact the model approval process; ☐ If included at level 2, this will allow a greater level of efficiency and consistency to be achieved across all EEA countries.	See No 1429
1,431.	Pricewaterhouse Coopers LLP	3.263.	We would welcome further guidance in the Level 3 text on all the aspects specified in 3.263. We refer also to our comments in 3.252, 3.257 and 3.260. We caution that due to the uniqueness of each market this guidance may need to be prepared by each Member State (perhaps with guiding principles from CEIOPS). We make one further remark with regards to basis risk: ☐ Often implied volatility assumptions are derived from standard indices (e.g. FTSE 100) and from price rather than total return indices. In assessing the appropriateness of a calibration, due consideration should be made as to how reflective these asset class assumptions are of the business. It may be helpful to consider this in Level 3 text.	Noted

1,432.	Pricewaterhou seCoopers LLP	3.263.	We would welcome further guidance in the Level 3 text on all the aspects specified in 3.263. We refer also to our comments in 3.252, 3.257 and 3.260. We caution that due to the uniqueness of each market this guidance may need to be prepared by each Member State (perhaps with guiding principles from CEIOPS). We make one further remark with regards to basis risk: ☐ Often implied volatility assumptions are derived from standard indices (e.g. FTSE 100) and from price rather than total return indices. In assessing the appropriateness of a calibration, due consideration should be made as to how reflective these asset class assumptions are of the business. It may be helpful to consider this in Level 3 text.	See No 1431
1,433.	Association of British Insurers	3.264.	In point c) undertakings are required to consider whether the assumptions adequately reflect the uncertainty in the cash flows, which could well be interpreted as requiring a prudent margin on top of the best estimate assumption to allow for uncertainty. However, the risk margin already allows for such uncertainty.	Not agreed Proper reflecting of uncertainty in cash-flow could not be interpreted as requirement of prudent margin on top of best estimate.
1,434.	Association of Friendly Societies	3.264.	This paragraph should emphasise the role of judgement in the choice of assumptions. The choice will not be mechanistic and should use considerable judgement in interpreting the data and selecting the assumptions to be used.	Not agreed This paragraph is dealing with appropriateness of an assumptions consistent with generally available data.
1,435.	CEA, ECO-SLV-09-433	3.264.	It is not necessary to allow for the uncertainty of future cash flows in the best estimate as this is allowed for in the risk margin. Doing so would result in double counting. In point c) undertakings are required to consider whether the assumptions adequately reflect the uncertainty in the cash flows, which could well be interpreted as requiring a prudent margin on top of the best estimate assumption to allow for uncertainty.	See No 1433

			However, the risk margin already allows for such uncertainty.	
1,436.	Groupe Consultatif	3.264.	This paragraph should emphasise the role of judgement in the choice of assumptions. The choice will not be mechanistic and should use considerable judgement in interpreting the data and selecting the assumptions to be used.	See No 1434
1,437.	Investment & Life Assurance Group (ILAG)	3.264.	This paragraph should emphasise the role of judgement in the choice of assumptions. The choice will not be mechanistic and should use considerable judgement in interpreting the data and selecting the assumptions to be used.	See No 1434
1,438.	KPMG ELLP	3.264.	We agree.	Noted
1,439.	Lloyd's	3.264.	We agree.	See No 1438
1,440.	OAC Actuaries and Consultants	3.264.	This paragraph should emphasise the role of judgement in the choice of assumptions. The choice will not be mechanistic and should use considerable judgement in interpreting the data and selecting the assumptions to be used.	See No 1434
1,441.	PEARL GROUP LIMITED	3.264.	In point c) undertakings are required to consider whether the assumptions adequately reflect the uncertainty in the cash flows, which could well be interpreted as requiring a prudent margin on top of the best estimate assumption to allow for uncertainty. However, the risk margin already allows for such uncertainty.	See No 1433
1,442.	Pricewaterhou seCoopers LLP	3.264.	In relation to technical risks, 3.264(c) states: "Undertakings shall consider whether the assumptions adequately reflect the uncertainty underlying the cash-flows." We query whether this is referring to setting best estimate liabilities using "probability-weighted average of future cash flows" as detailed in Article 76(2) of the Level 1 text or whether this is referring to the application of prudence. The latter would not be consistent with the philosophy of valuing technical provisions as the "sum of a best estimate and a risk margin" - Level 1 text Article 76(1).	See No 1433

			This comment also refers to 3.286(e)	
1,443.	Pricewaterhou seCoopers LLP	3.264.	In relation to technical risks, 3.264(c) states: "Undertakings shall consider whether the assumptions adequately reflect the uncertainty underlying the cash-flows." We query whether this is referring to setting best estimate liabilities using "probability-weighted average of future cash flows" as detailed in Article 76(2) of the Level 1 text or whether this is referring to the application of prudence. The latter would not be consistent with the philosophy of valuing technical provisions as the "sum of a best estimate and a risk margin" - Level 1 text Article 76(1). This comment also refers to 3.286(e)	See No 1433
1,444.	Institut des actuaires (France)	3.265.	CEIOPS does not precise who provides external data neither the kind of validation these data should satisfy.	Not agreed Paragraph 3.237(g) define what external data source should satisfy.
1,445.	KPMG ELLP	3.266.	We believe this statement is too strong as "all relevant available external data" cannot possibly be taken into account, and searching for all relevant available external data will possibly involve a punitive cost to the undertaking. We suggest amending the statement to "All relevant available data should be taken into account in order to arrive at the assumption which best reflects the characteristics of the underlying portfolio. In the case of using external data, only that which the undertaking can reasonably be expected to have access too should be considered". Alternatively, an appropriate definition could be added for the use of "available" in this context.	Agreed Taken into account.
1,446.	Lloyd's	3.266.	We believe this statement is too strong. "All relevant available external data" cannot possibly be taken into account and searching for all relevant available external data would involve a punitive cost to the undertaking. We suggest amending the statement to "All	See No 1445

			relevant available data should be taken into account in order to arrive at the assumption which best reflects the characteristics of the underlying portfolio. If using external data, only that which the undertaking can reasonably be expected to have access to should be considered." Alternatively, an appropriate definition of "available" in this context could be added.	
1,447.	Milliman	3.266.	This statement places an unnecessary burden on all undertakings to purchase all data made available in the market, which is not appropriate. We suggest the language is too strong.	See No 1445
1,448.	Association of British Insurers	3.270.	Examples of areas where further guidance would be: ☐ The calibration of Economic Scenario Generators. For example, that market implied volatility is used for liquid tenors, minimum standards on how market implied volatility can be extrapolated and how much data should be minimally used to set a long-term historical volatility. ☐ The construction of market benchmarks, e.g. for loss development patterns, to validate and complement undertaking-specific information. This is best achieved at a national level due to national differences, in particular the sources and availability of different market information and differing product features. Whilst guidance at European level would be helpful in achieving a consistent approach, it may be necessary to allow for some variation according to specificities in different national markets.	Noted
1,449.	CEA, ECO-SLV-09-433	3.270.	Please see comments to Para 3.271.	
1,450.	CRO Forum	3.270.	Additional guidance on determination of volatilities would be helpful at a European level in order to ensure consistency.	Noted
1,451.	German	3.270.	Please see comments to Para 3.271.	

	Insurance Association – Gesamtverband der D			
1,452.	Institut des actuaires (France)	3.270.	Harmonised principles for construction of mortality tables (this could be extended to tables of survival and changes in the health status) For Institut des Actuaires, there are two different topics: ☐ the way tables are built (the methodology should refer to guidelines either at a European level or a local level). Local level seems to be best appropriate when the kind of guarantee is specific to a country and the methodology developed to determine the technical assumptions is too specific). European level seems to be best appropriate when the guarantee is common such as for annuities. ☐ the necessity of an external validation of the result to insure the appropriateness of the table. A minimum step is that a set of assumptions (as former regulatory technical assumptions) is proposed to each undertaking and is used as reference to cope with the back testing described in 3.237 c) iii and 3.305	Noted
1,453.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.271.	In order to promote a harmonised approach across Europe, this guidance should be set at a European level but it is more realistic to set it at national level. Moreover, a harmonised approach at national level allows to take into account national specificities. Harmonisation of methods seems to be ok, but harmonisation of data is not appropriate because of the variety of local markets (for example in health insurance the social systems that are fundamental to the benefits of the health insurance vary from country to country). So there is a need for the supervisory authorities to learn about the specificities of the regional markets in which the undertakings under their supervision exercise their	Noted

			activities. b) Because practices are different in different countries, we believe that more guidance are necessary in order that words have the same meaning for every stakeholder. c) Guidance should be set at national level.	
1,454.	AMICE	3.271.	AMICE members agree that further guidance would be useful in the calibration of economic scenario generators and harmonised principles for construction of mortality tables order to promote a harmonized approach. However, it is unclear whether further detailed guidance on other areas such as calibration would be helpful. Should such guidance be provided, it would be most appropriate at national level.	Noted
1,455.	Association of Friendly Societies	3.271.	We would emphasise the need to ensure that any models are appropriate to the risk. Within one territory, there might be very different mortality and morbidity tables that are appropriate to both differing risk types and differing underwriting standards employed (both at inception and at claim). Therefore, we would state that no guidance is necessary on a pan European basis and that guidance is just required on the method and judgement needed for the company and AFH to select the correct set of assumptions.	Noted
1,456.	Association of Run-Off Companies	3.271.	Point b) It might be helpful for there to be additional guidance related to the calculation of technical provisions in relation to latent claims (such as environmental pollution and asbestos). This is because these claims can require different estimation approaches to other claim types. This is particularly relevant for some companies in run-off, as well as some active insurers with liability portfolios. In relation to point c), we would suggest that any such guidance related to latent claims should be made at a European level, rather than national level (although national factors would need to be taken into account in determining the technical provisions for these types of claim).	Noted

1,457.			Confidential comment deleted.	
1,458.	CEA, ECO-SLV-09-433	3.271.	The CEA agrees that future guidance and principles could be useful but this should be balanced against the need to allow the industry and the actuarial profession to develop technical standards in these areas and to ensure that market specificities are properly reflected. Guidance is required but should be principal-based and promote only minimum standards in order to ensure harmonisation and a level playing field in the EU while also leaving space for development as models and insights change over time as well as ensuring local specificities can be taken into account. Examples of areas in which additional principles would be helpful could be: ☐ The calibration of Economic Scenario Generators. For example, that market implied volatility is used for liquid tenors, minimum standards on how market implied volatility can be extrapolated and how much data should be minimally used to set a long-term historical volatility. ☐ The construction of market benchmarks, e.g. for loss development patterns, to validate and complement undertaking-specific information. This is best achieved at a national level due to national differences, in particular the sources and availability of different market information and differing product features. ☐ Harmonised principles for the construction of mortality tables. There are significant differences in mortality in each member state, as well as differences in the availability of data. Therefore, a single mortality table for the EU would not be appropriate, but the creation of a set of high-level principles to ensure there are consistent standards and review across each member state could be useful.	Noted
1,459.	Centre Technique des	3.271.	a) Yes, it is absolutely essential. b) Further guidance is necessary in the following areas:	Noted

	Institutions de Prévoyance (C		– Mortality tables Considering the important differences between national mortality tables (well-known by CEIOPS), due to different statistical data used and to construction methods, it is essential to harmonize the methodology (e.g. prospective vs. current tables, national demographic data vs. insured persons data, regular updating the table) and to construct new tables. If this can not be completed before Solvency II implementation, it will then be necessary to set temporary rules to derive harmonized technical provisions, in line with our comments on CP 49 §3.50. - Future discretionary benefits (FDB) In Life and Health SLT insurance, future “conditional discretionary benefits” and “pure discretionary benefits” representent a very significant part of technical provisions, which reduce the effect of stress scenarios, either automatically (for “conditional discretionary benefits”) either by management decision (for “pure discretionary benefits”). In our judgment, it is most important to complement the Solvency II directive by more specific rules defining FDB, corresponding to the main life and Health SLT insurance line of business existing in the member states. In particular, to assess FDB consistently with the SCR market risk, it is necessary to set a future asset return hypothese for each asset class, in relation with the risk-free interest rates. For instance, certain asset classes are considered to get higher returns, it being understood that corresponding risks are taken into consideration in the SCR Market risk. c) Harmonisation of mortality tables has to be dealt with at the European level. Concerning Future Discretionary Benefits (FDB):	

			- As a first step, at the European level, the main types of with-profit life contracts in force in the member states should be reviewed, and consistent FDB evaluation rules should be set - Then, as far as this remains necessary in order to take into consideration specific national regulations about profit distribution, European rules should be completed by national rules.	
1,460.	CRO Forum	3.271.	In response to the questions asked in Para 3.271; a Yes, further guidance is required to ensure a harmonised approach. For example the different methods to derive volatility could have a significant impact on the BEL. To ensure a level paying field harmonisation is required. b Further guidance in the following areas would be useful; ☐ Volatility ☐ Correlations ☐ Tail distributions ☐ What to do when there is no deep or liquid market ☐ Calibration of ESG ☐ Constructions of mortality tables ☐ Modelling of participating business where benefits are based on book value accounting ☐ The list in par 3.263 is also relevant here. c The overarching guidance should be set at the European level to ensure consistency across EEA region however we do recognise the need for tailoring the requirements by the member state supervisory authority to accommodate subtle differences in difference member states.	Noted

			d. The guidance should be principles based	
1,461.	DIMA (Dublin International Insurance & Management	3.271.	(a) We support an agenda to seek a harmonised approach in Economic Scenario generation (both methodology and calibration) and explicitly guidance on the calibration of diffusion process (volatility). We reject the need to harmonise or otherwise set principles in the construction of mortality tables. (b) It is unclear what the calibration is of; assuming Economic Scenario Generators, our answer is yes. (c) In general, matters of harmonisation are best set at the highest level while matters of calibration are best set at the level with the most expertise. In particular it is essential that local supervisors understand not just the calibration but the basis behind the calibration to be sufficiently informed to appreciate proportionate implementation by undertakings which vary from harmonised guidance.	Noted
1,462.	Dutch Actuarial Society – Actuarieel Genootschap (	3.271.	a) No. Stakeholders (insurance companies, supervisors and external auditors) together should develop and manage best practice on these issues. But not by detailed guidance. b) Maybe the non-financial guarantees (3.130) should be further explained c) European level if possible, national level if necessary.	Noted
1,463.	European Insurance CFO Forum	3.271.	Response to a) Further guidance is required to ensure a harmonised approach. For example, different methods for deriving volatility will impact the calculation of the best estimate liability. Response to b) Further guidance is requested in the following areas:	Noted

			☐ Volatility ☐ Correlations ☐ Tail distributions ☐ Options available when deep and liquid markets do not exist The list in 3.263 is also relevant here. Response to c) Overarching guidance should be set at the European Level to ensure consistency the EEA. However, we recognise that differences and requirements from member state supervisory authorities need to be considered and balanced in this respect.	
1,464.	European Union member firms of Deloitte Touche To	3.271.	This question appears to have been addressed in the previous CPs (cf CP 33, 3.253 on "standards to be applied by the actuarial function") We agree that further guidance is required in the two areas mentioned: - Regarding the derivation of the appropriate volatility measure: see above 3.257. - Regarding principles for construction of mortality tables: high level principles can be specified further (e.g. incorporation of future mortality trends). However, mortality is a local issue, e.g. mortality in the Netherlands is different from Germany, and best practices have evolved within the countries. Regional differences can vary from country to country. It makes more sense to apply mortality tables split per region in Germany than it would in the Netherlands. A mortality table applies to the local market, so every insurer active on the local market will use the local best practice. In that sense, the even playing field will not be harmed if the method for deriving mortality tables differs from country to country. Based	Noted

			on this, guidance on national level seems more appropriate. As a general rule, we believe further guidance could be set either at national or European level, depending on the variable to specify.	
1,465.	FFSA	3.271.	Questions to stakeholders about providing further guidance on ESG and mortality tables FFSA thinks that further principles in order to promote a harmonized approach regarding ESG and harmonized principles for construction of mortality tables would be useful as long as they are set at a European level. FFSA believes that national level guidance would not meet the purpose of harmonization.	Noted
1,466.			Confidential comment deleted.	
1,467.	German Insurance Association – Gesamtverband der D	3.271.	The GDV agrees that future guidance and principles could be useful but this should be balanced against the need to allow the industry and the actuarial profession to develop technical standards in these areas. If guidance and principles should be set it is important to take the specifics of the particular areas into account. Guidance should be principal-based and promote only minimum standards in order to ensure harmonisation and a level playing field in the EU while also leaving space for development as models and insights change over time as well as ensuring local specificities can be taken into account. Examples of areas in which additional principles could be helpful could be: ☐ The calibration of Economic Scenario Generators. For example, that market implied volatility is used for liquid tenors, minimum standards on how market implied volatility can be extrapolated and how much data should be minimally used to set a long-term historical volatility. ☐ The construction of market benchmarks, e.g. for loss development patterns, to validate and complement undertaking-specific information. This is best achieved at a national level due to	Noted

			national differences, in particular the sources and availability of different market information and differing product features. ☐ Harmonised principles for the construction of mortality tables. There are significant differences in mortality in each member state, as well as differences in the availability of data. Therefore, a single mortality table for the EU doesn´t make sense, but the creation of a set of high-level principles to ensure there are consistent standards and review across each member state could be useful.	
1,468.	Groupama	3.271.	A too strong guidance doesn't allow taking into account of local specificities. There is an approbation process in each mentioned area. In all cases, if guidance should be defined, it can only be made on a national level.	Noted
1,469.	Groupe Consultatif	3.271.	We believe this to be an example of questions which would be best dealt with by professional standards supported by context-specific interpretation. Whilst there are maybe some areas that would benefit from more guidance, this guidance should be principle based and not rule based. So long as it is principle based it makes sense that this is at a European level. Areas that might benefit from some more principle guidance: economic scenario generators. In response to the questions asked in Para 3.271; a) Yes, further guidance is required to ensure a harmonised approach. For example the different methods to derive volatility could have a significant impact on the BEL. To ensure a level paying field harmonisation is required. b) Further guidance in the following areas would be useful;	Noted

			☐ Volatility ☐ Correlations ☐ Tail distributions ☐ What to do when there is no deep or liquid market ☐ The list in par 3.263 is also relevant here. c) The overarching guidance should be set at the European level to ensure consistency across EEA region however we do recognise the need for tailoring the requirements by the member state supervisory authority to accommodate subtle differences in difference member states. We would emphasise the need to ensure that any models are appropriate to the risk. Within one territory, there might be very different mortality and morbidity tables that are appropriate to both differing risk types and differing underwriting standards employed (both at inception and at claim). Therefore, we would state that no guidance is necessary on a panEuropean basis and that guidance is just required on the method and judgement needed for the company and AFH to select the correct set of assumptions.	
1,470.	Investment & Life Assurance Group (ILAG)	3.271.	We would emphasise the need to ensure that any models are appropriate to the risk. Within one territory, there might be very different mortality and morbidity tables that are appropriate to both differing risk types and differing underwriting standards employed (both at inception and at claim). Therefore, we would state that no guidance is necessary on a pan European basis and that guidance is just required on the method and judgement needed for the company and AFH to select the correct set of assumptions.	Noted
1,471.	Just Retirement	3.271.	It should be clarified whether the Economic Scenario Generator being considered in this paper is that used to underlie the best	Noted

	Limited		estimate liability calculation alone, or also that used in calculating the SCR. Requirements should be consistent between both. High level guidance should be set at the European level on the calibration of ESGs and the construction of mortality tables, although the harmonisation of the latter is de facto outside the direct influence of insurance entities, with tables generally being compiled by actuarial or industry bodies. Therefore harmonisation should be pursued via the relevant national bodies. Any Europe-wide guidance should remain at high level – individual regulators should have the flexibility to issue more detailed guidance, appropriate to local conditions. Given the inherent uncertainties in some of the phenomena being modelled, having a range of views and rigorous debate is arguably more useful than harmonisation for its own sake.	
1,472.	Lucida plc	3.271.	We generally favour less guidance rather than more so before agreeing that further guidance is required in the areas mentioned, we would be keen to see the evidence that materially inconsistent approaches are adopted.	Noted
1,473.	OAC Actuaries and Consultants	3.271.	We would emphasise the need to ensure that any models are appropriate to the risk. Within one territory, there might be very different mortality and morbidity tables that are appropriate to both differing risk types and differing underwriting standards employed (both at inception and at claim). Therefore, we would state that no guidance is necessary on a panEuropean basis and that guidance is just required on the method and judgement needed for the company and AFH to select the correct set of assumptions.	Noted
1,474.	PEARL GROUP LIMITED	3.271.	a. Pearl believes that there is sufficient guidance given in this CP. b. No other areas required. c. All guidance should be as this CEIOPS Paper, i.e. at a European level.	Noted

1,475.	PricewaterhouseCoopers LLP	3.271.	In response to the feedback requested: Stochastic Asset Models ☐ We would welcome further guidance in the Level 3 text on the aspects specified in 3.263. However, we caution that due to the uniqueness of each market this guidance may need to be prepared by each Member State (perhaps with guiding principles from CEIOPS). Mortality Tables ☐ We would welcome general principles on the construction of mortality tables. This would promote harmonisation. The principles should consider all decrements (e.g. critical illness, income protection etc.) and not just mortality. In a number of Member States there are well developed methods for the construction of such tables (e.g. the Continuous Mortality Investigations of the UK actuarial profession) which could be considered as a benchmark. Other areas of potential guidance ☐ We would welcome additional guidance in Level 3 text over the setting of expense assumptions (especially the treatment of overheads and future cost reductions) and general principles in setting demographic assumptions	Noted
1,476.	PricewaterhouseCoopers LLP	3.271.	In response to the feedback requested: Stochastic Asset Models ☐ We would welcome further guidance in the Level 3 text on the aspects specified in 3.263. However, we caution that due to the uniqueness of each market this guidance may need to be prepared by each Member State (perhaps with guiding principles from CEIOPS).	Noted

			Mortality Tables ☐ We would welcome general principles on the construction of mortality tables. This would promote harmonisation. The principles should consider all decrements (e.g. critical illness, income protection etc.) and not just mortality. In a number of Member States there are well developed methods for the construction of such tables (e.g. the Continuous Mortality Investigations of the UK actuarial profession) which could be considered as a benchmark. Other areas of potential guidance ☐ We would welcome additional guidance in Level 3 text over the setting of expense assumptions (especially the treatment of overheads and future cost reductions) and general principles in setting demographic assumptions	
1,477.	RBS Insurance	3.271.	We believe the calibration should take place at a European level to increase harmonisation. We do not believe undertakings require further advice, rather that validation and peer review will cover issues in deriving the assumptions.	Noted
1,478.	ROAM	3.271.	ROAM members agree that further guidance can be useful in the above mentioned areas in order to promote a harmonized approach. However, it is unclear whether further detailed guidance on other areas such as calibration would be helpful. Should such guidance be provided in any case, national level would be the most appropriate.	Noted
1,479.	AMICE	3.272.	AMICE members believe this section overlaps with CP43 on data quality and CP41 on the definition of deep and liquid markets.	Noted
1,480.	Association of British Insurers	3.272.	We believe it should be up to the firm to decide which data, whether internal or external, it will be using depending on which data is the most representative of future experience. Justification	Not agreed This CP defines general requirements and does not

			for the use of external data may not be possible in all cases but this should not preclude its use where alternatives are not available.	concern concrete examples.
1,481.	CEA, ECO-SLV-09-433	3.272.	Section 3.9.6 of Ceiops advice contains in several paragraphs statements that insurers have to "quantify" or "demonstrate" something which is not quantifiable. This section overlaps with CP43 on data quality and CP41 on the definition of deep and liquid markets – we suggest to only include these topic in one set of advice each.	General statement See No 1479
1,482.	German Insurance Association – Gesamtverband der D	3.272.	Section 3.9.6 of CEIOPS advice contains in several paragraphs statements that insurers have to "quantify" or "demonstrate" something which is not quantifiable. This section overlaps with CP43 on data quality and CP41 on the definition of deep and liquid markets – we suggest to include these topic only in one set of advice each.	See No 1481
1,483.	ROAM	3.272.	ROAM members believe this section overlaps with CP43 on data quality and CP41 on the definition of deep and liquid markets.	See No 1479
1,484.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.274.	The point g) states than if external data are used, they should be validated by the undertaking. We do not think this is always possible due to the lack of experience or simply when the data are based on sensitive information. The data and documentation of the assumptions or methodologies underlying the external data source are not always available for the market.	Not agreed This CP defines general requirements and does not concern concrete examples.
			What this document refers such remark? These methods have already been defined?	Agreed See revised text
1,485.	AMICE	3.274.	AMICE members have some concerns on paragraph g) regarding External data; We are of the view that it is not always possible to use external models as frequently as requested in the consultation paper. Appropriate tools (e.g. cat modelling) are not necessarily at a company´s disposal. Only part of the requested analysis can be	See No 1484

			achieved in an appropriate way. AMICE members agree that all external providers should at least provide some minimum data which should also be available to supervisors.	Noted
1,486.	Association of British Insurers	3.274.	b) would be burdensome if applied to each and every assumption c) iii) third bullet We believe it will be very difficult to get a full consensus from all experts here. This requirement should be applied proportionately. This appears to be unduly onerous and the expectations required in terms of the number of opinions and the degree of validation will be excessive in most circumstances. It is essential that proportionality is applied in this area. g) We are concerned that professional judgment might not be given sufficient weight. Whilst we agree undertakings should not be using external data (black box type) without any challenge, we believe the use of external data should not be prevented. f) The credibility of information should be justified by the use of expert judgement.	Not agreed Simplifications are not part of this CP. Not agreed Full consensus is not required. Not agreed Paragraph prescribe criteria for using of external data Not agreed This paragraph defines standards that should be meat that data could be used for deriving assumptions.

1,487.	Association of Friendly Societies	3.274.	We believe the use of the word prudent should be removed here. The choice of the assumption should be based on a best estimate view. Judgement will have to be employed even for undertakings with very full data. Prudency would become a method whereby technical provisions for all insurers for all risks will gradually move from the best estimate. Therefore, we would suggest that the bullet point "Be prudent in the selection of alternative assumptions." should be removed. This paragraph should emphasise the need for expert judgement.	Agreed See revised text See No 1486
1,488.			Confidential comment deleted.	
1,489.	CEA, ECO-SLV-09-433	3.274.	Point b) would be burdensome if applied to each and every assumption. ☐ The CEA suggests the wording in b) is revised as follows: "the impact of changes in material assumptions …" Point c) (third bullet) - We believe it will be very difficult to get a full consensus from all experts here. This requirement should be applied proportionately. This appears to be unduly onerous and the expectations required in terms of the number of opinions and the degree of validation will be excessive in most circumstances. It is essential that proportionality is applied in this area. f) The credibility of information should be justified by the use of expert judgement. ☐ We suggest that "be credible and" is deleted. Point g) could be excessive and burdensome, i.e. to require companies to validate external data that may have already been validated, e.g. where they use an industry mortality table or get data from Bloomberg. It is not always easy or possible to use external models as	See No 1486

			requested in the CP. Appropriate tools (e.g. cat modelling) are not necessarily disposable in each company and only a part of the requested analysis could be achieved in a proper way. For example, in the past, models for assessing asbestos and environmental provisions have been supplied by external providers but, apart from the results, only very limited details of the analysis were made available, due to the protection of the supplier's intellectual property. Based on Ceiops' wording it would not be possible to rely on such sources under Solvency II, since they could not be properly validated by the insurers. The important thing is that companies should consider whether the external data is appropriate or not for the use to which they are putting it. It is reasonable that they should ask the providers what validation process has been followed and to rely on that when it is satisfactory. It would also be reasonable to require companies to have an understanding of the underlying data sources in order to get comfort that it is appropriate for their use and for them to perform sense and reasonableness checks on externally provided data. We are concerned that professional judgment might not be given sufficient weight ☐ We suggest to extend the advice above as follows: "Assumptions or data supplied by external providers, should not be subject to re-validation if already validated, otherwise it should be validated using appropriate validation methods as described in Ceiops' advice on validation, subject to any limitations arising from the exercise of intellectual property rights by the external providers"	
1,490.	CRO Forum	3.274.	This Section concerns the criteria to follow for making Best Estimate model assumptions and the suggested approach to report them for external disclosure. We agree with the principles indicated by CEIOPS, in particular the explicit allowance for expert judgement	See No 1486

			assumptions (under agreeable conditions). Such principles allow Companies to adapt better their analysis to the real situation (undertaking specific and portfolio specific principles) However, the advice in this paragraph does not consider the principles of proportionality, in particular for points b,c,f and g, which can result in burdensome requirements for the undertaking. We propose that the wording of the advice be revised to accommodate a principles based approach, for instance point (b) shall be revised as follows: "the impact of changes in material assumptions …" We also point out that point c)iii refers to being prudent in the selection of alternative assumptions where expert judgement is applied; this should not override the principle that assumptions should be realistic and not deliberately prudent.	
1,491.	DIMA (Dublin International Insurance & Management	3.274.	(b) We take this to refer to the undertaking conducting an assessment of the impact of the change in the assumptions for its own purpose and through its own systems of governance (risk function). (c) (iii) 3rd bullet – in seeking to compare the external opinion with either internal or other external opinions we understand this requirement to be implicitly qualified by the statement "to the extent that an alternative opinion exists either internally or externally" or some other limitation to reflect that if the external opinion clearly conflicts with other opinions, there is at least an assessment as to the source or nature of the conflict and that a basis for accepting one opinion over the other is established. g (i) The last line of this paragraph references the use of the data as opposed to the source of the data and as such we believe it should be deleted.	Noted Agreed See revised text Not agreed Paragraph prescribe criteria for using of external data

			g (iii) The undertaking should have regard to the source of the opinion in making a determination as to how much additional review is required.	Not agreed Simplifications not part of this CP.
1,492.	Dutch Actuarial Society – Actuarieel Genootschap (	3.274.	The proportionality principle should also be taken into account at b) (assumption derivation)	Not agreed Simplifications not part of this CP.
1,493.	EMB	3.274.	In point c) iii) we note that undertakings shall “be prudent in the selection of alternative assumptions”. Should this be considered as a requirement to include a prudential margin when using expert judgement, especially when there is a scarcity of relevant data?	See No 1488
1,494.	European Insurance CFO Forum	3.274.	The criteria for external data listed in g) should allow for proportionality, materiality and the level of credibility. The criteria for satisfying appropriateness of external data used to set assumptions do not allow sufficiently for the practical challenges of extracting data from third parties. Criteria for use of external data as a basis for assumptions should be based on proportionality and materiality and should also take into account the level of credibility attributed to that data in setting the relevant assumptions.	Not agreed Simplifications not part of this CP.
			The frequency of review is not defined. We suggest that a comment is added to say that this should be performed periodically.	Not agreed Assumptions should be up-to-date for every valuation which is performed for reporting purposes.
1,495.	FFSA	3.274.	CEIOPS defines principles to assess the appropriateness of an assumption: FFSA thinks that when assumptions are based on external data, it	See No 1485

			is not always easy or possible to use external models as frequently as requested in the CP. Appropriate tools (e.g. cat modelling) are not necessarily disposable in each company. Only a part of the requested analysis can be achieved in a proper way.	
1,496.			Confidential comment deleted.	
1,497.	German Insurance Association – Gesamtverband der D	3.274.	Point b) would be burdensome if applied to each and every assumption. The GDV suggests the wording in b) is revised as follows: "the impact of changes in material assumptions …" Point c) (third bullet) - We believe it will be very difficult to get a full consensus from all experts here. This requirement should be applied proportionately. This appears to be unduly onerous and the expectations required in terms of the number of opinions and the degree of validation will be excessive in most circumstances. It is essential that proportionality is applied in this area. f) The credibility of information should be justified by the use of expert judgement. We suggest that "...be credible and.." is deleted. Point g) could be excessive and burdensome, i.e. to require companies to validate external data that may have already been validated, e.g. where they use an industry mortality table or get data from Bloomberg. It is not always easy or possible to use external models as requested in the CP. Appropriate tools (e.g. cat modelling) are not necessarily disposable in each company and only a part of the requested analysis could be achieved in a proper way. For example, in the past, models for assessing asbestos and environmental provisions have been supplied by external providers but, apart from the results, only very limited details of the analysis were made available, due to the protection of the supplier's intellectual property. Based on CEIOPS' wording it would not be	See No 1486

			possible to rely on such sources under Solvency II, since they could not be properly validated by the insurers. The important thing is that companies should consider whether the external data is appropriate or not for the use to which they are putting it. It is reasonable that they should ask the providers what validation process has been followed and to rely on that when it is satisfactory. It would also be reasonable to require companies to have an understanding of the underlying data sources in order to get comfort that it is appropriate for their use and for them to perform sense and reasonableness checks on externally provided data. We are concerned that professional judgment might not be given sufficient weight ☐ We suggest to extend the advice above as follows: "Assumptions or data supplied by external providers, should not be subject to re-validation if already validated, otherwise it should be validated using appropriate validation methods as described in CEIOPS' advice on validation, subject to any limitations arising from the exercise of intellectual property rights by the external providers"	
1,498.	Groupama	3.274.	g) External data: it is not always easy or possible to use external models as frequently as requested in the CP. Appropriate tools (e.g. cat modelling) are not necessarily disposable in each company. Only a part of the requested analysis can be achieved in a proper way.	See No 1485
1,499.	Groupe Consultatif	3.274.	Point c) ii. should mention that the expert judgment is made by a person with sufficient actuarial knowledge Point c-iii. We disagree with the requirement of being prudent when expert judgement is applied. See also 3.237 We believe the use of the word prudent should be removed here. The choice of the assumption should be based on a best estimate	Agreed See revised text See No 1487

			view. Judgement will have to be employed even for undertakings with very full data. Prudency would become a method whereby technical provisions for all insurers for all risks will gradually move from the best estimate. Therefore, we would suggest that the bullet point "Be prudent in the selection of alternative assumptions." should be removed. This paragraph should emphasise the need for expert judgement.	See No 1487
1,500.	Institut des actuaires (France)	3.274.	Point c) ii. should mention that the expert judgment is made by a person with sufficient actuarial knowledge.	See No 1499
1,501.	Investment & Life Assurance Group (ILAG)	3.274.	We believe the use of the word prudent should be removed here. The choice of the assumption should be based on a best estimate view. Judgement will have to be employed even for undertakings with very full data. Prudency would become a method whereby technical provisions for all insurers for all risks will gradually move from the best estimate. Therefore, we would suggest that the bullet point "Be prudent in the selection of alternative assumptions." should be removed.. This paragraph should emphasise the need for expert judgement	See No 1487 See No 1487
1,502.	Just Retirement Limited	3.274.	The definition of "…commercial link…" in sub para (c)iii needs to be clarified – as it stands this appears to rule out making any payment whatsoever to an external expert in return for advice. The requirement in sub para (f) that data be "…credible…" is very strong, and introduces the complex issue of how to define "credible". Instead, data of varying levels of credibility should be permitted, with weight placed on each item of data in relation to its degree of credibility.	Agreed See revised text. Agreed See revised text.
1,503.	KPMG ELLP	3.274.	We broadly agree. Point a) realistic assumptions are an important feature.	Noted

			Point b) Analysis of change should be part of standard reserving processes. It is not feasible to assess the effects of each and every assumption change separately, and the advice should be clear that this is not intended. Point c) we strongly agree that expert judgement should be applied in conjunction with available information. We disagree that, if relying on expert judgement, then estimates should be prudent (when referring to assumptions) – this implies margins for pessimism and this is not consistent with the principles of Solvency II. We also question the restriction that expert judgment "may be taken into account under the following circumstances". In fact, expert judgment must be made in setting all assumptions, even if that judgment simply leads to acceptance of an assumption derived directly from the data. To set assumptions without applying expert judgment would be inappropriate. Point d) We agree that documentation is important. Point e) we strongly agree that materiality/proportionality should be considered in all the process not just the documentation levels. Point f) we agree. Point g) We broadly agree, but believe it is unrealistic to expect all external data sources to be validated to the same standards as internal data (see 3.237)	Agreed See revised text. See No 1487 & 1499 Noted Noted
1,504.	Lloyd's	3.274.	We broadly agree. Point a) Realistic assumptions are an important feature. Point b) Analysis of change should be part of standard reserving processes. It is not feasible to assess the effects of each and every	See No 1503

			assumption change separately, and the advice should be clear that this is not intended. Point c) We strongly agree that expert judgement should be applied, in conjunction with available information. We disagree with the proposal that, if relying on expert judgement, then estimates should be prudent (when referring to assumptions) – this implies margins for pessimism and this is not consistent with the principles of Solvency II. We question the restriction that expert judgment "may be taken into account under the following circumstances". In fact, expert judgment must be made in setting all assumptions, even if that judgment simply leads to acceptance of an assumption derived directly from the data. To set assumptions without applying expert judgment would be inappropriate. Point d) We agree that documentation is important. Point e) We strongly agree that materiality/proportionality should be considered in all the process, not just the documentation levels. Point f) We agree. Point g) We broadly agree, but believe it is unrealistic to expect all external data sources to be validated to the same standards as internal data (see 3.237).	
1,505.	Milliman	3.274.	We disagree that if relying on expert judgement then alternative assumption selections "should be prudent." This could imply that a margin for pessimism is included in the best estimate, which is not consistent with the principles of Solvency II. If the intent of the word "prudent" is to mean "thorough" then we agree.	See No 1487

			While we understand and appreciate the validation step with respect to reliance on external information (point g), we believe it is unrealistic to expect that all external data sources should be validated to the same standards as internal data. For example, validating all of the data sources and assumptions within commercially available natural catastrophe modelling software would be an unrealistic expectation.	See No 1503
1,506.	OAC Actuaries and Consultants	3.274.	We believe the use of the word prudent should be removed here. The choice of the assumption should be based on a best estimate view. Judgement will have to be employed even for undertakings with very full data. Prudency would become a method whereby technical provisions for all insurers for all risks will gradually move from the best estimate. Therefore, we would suggest that the bullet point "Be prudent in the selection of alternative assumptions." should be removed. This paragraph should emphasise the need for expert judgement	See No 1487 See No 1487
1,507.	PEARL GROUP LIMITED	3.274.	b) would be burdensome if applied to each and every assumption c) iii) third bullet We believe it will be very difficult to get a full consensus from all experts here. This requirement should be applied proportionately. g) We are concerned that professional judgment might not be given sufficient weight. Whilst we agree we should not be using external data (black box type) without any challenge, we believe the use of external data should not be prevented. f) The credibility of information should be justified by the use of expert judgement.	See No 1486

			There is a danger that the level of documentation required under Solvency II will be difficult to produce in required timescales. A view of the overall amount of documentation required under Solvency II should be taken.	Noted
1,508.	Pricewaterhou seCoopers LLP	3.274.	See comments under 3.237	
1,509.	Pricewaterhou seCoopers LLP	3.274.	See comments under 3.237	
1,510.	RBS Insurance	3.274.	We are not clear whether the requirement for validation of expert opinions is in addition to the potential requirement for the external audit of technical provisions (as laid out in the disclosure consultation paper, CP58, 3.517). If this is an additional requirement we feel that it is overly onerous. If an external audit is not mandated, we do agree that expert opinions should be validated and that this should be possible internally, provided they are required to document their judgement/assessment completely independently. We do not believe it should be necessary to call on external consultants whenever expert judgement is used. Further, in 3.274(g) we believe that materiality should be applied to the degree of validation of external data required. We would also welcome some European wide initiatives to validate the robustness of certain external data sources (such as Catastrophe models), accepting that individual insurers still need to assess the appropriateness of the model for their own purpose.	Agreed The requirement for validation of expert opinions is not meant as an addition to the potential requirement of the external audit. Not agreed Simplification are not part of this CP.
1,511.	ROAM	3.274.	CEIOPS defines principles to assess the appropriateness of an assumption: ROAM members have some concerns on paragraph g) on External data; We are of the view that it is not always possible to use	See No 1485

			external models as frequently as requested in the consultation paper Appropriate tools (e.g. cat modelling) are not necessarily at company's disposal. Only a part of the requested analysis can be achieved in an appropriated way. ROAM members agree that all external providers should at least provide some minimum data which should be also available for supervisors.	
1,512.	XL Capital Ltd	3.274.	c) iii – It may be very difficult to achieve such consensus from technical experts in practice. g) It would be helpful to clarify exactly what is meant by "external data". Is this external to the individual entity or to the global group? The criteria listed in g)i to g)iii will be very difficult to meet in practice.	See No 1486 Agreed See revised text. Noted
1,513.	Association of British Insurers	3.275.	a) We would interpret this as meaning that there should not be any inconsistencies between the prices of assets and liabilities.	Agreed See revised text.
1,514.	CEA, ECO-SLV-09-433	3.275.	We would interpret this as meaning that there should not be any material inconsistencies between liabilities and the prices of relevant assets.	See No 1513
1,515.	CRO Forum	3.275.	"Where an assumption (e.g. an economic scenario file) is produced by a market consistent asset model, that model shall satisfy the following criteria: a) The asset model shall deliver prices for assets and liabilities that can be directly verified by the market." Generally speaking the asset model should reproduce prices of assets traded in deep and liquid markets. Assumptions/variables in the model should be calibrated from market inputs.	Agreed See revised text.

			Nevertheless there are a number of reasons why point in (a) would not be practical; ☐ The assets and liabilities against which the asset model is being tested do not exit, especially for liabilities that do not have a market. Additionally, for assets it is more likely that the market is not deep and liquid. ☐ The asset model is a simplification of the real world. It is unreasonable to expect an asset model to deliver prices for assets and liabilities that can be "directly verified" by the market. We propose that a concept of materiality is used when "verifying" the asset model against markets.	
1,516.	European Insurance CFO Forum	3.275.	It may not be possible to directly verify the prices delivered by the asset model. The CFO Forum believes that the above requirement may not be possible due to practical constraints such as unobservable markets, model simplifications, frequency of calibrations and market price distortions. The concept of materiality should apply here.	Agreed See revised text.
1,517.	Groupe Consultatif	3.275.	"Where an assumption (e.g. an economic scenario file) is produced by a market consistent asset model, that model shall satisfy the following criteria: a) The asset model shall deliver prices for assets and liabilities that can be directly verified by the market." There are a number of reasons why point in (a) would not be practical; ☐ The assets and liabilities against which the asset model is being tested do not exit, especially for liabilities that do not have a market. Additionally, for assets it is more likely that the market is not deep and liquid.	See No 1515

			☐ The asset model is a simplification of the real world. It is unreasonable to expect an asset model to deliver prices for assets and liabilities that can be "directly verified" by the market. We propose that a concept of materiality is used when "verifying" the asset model against markets.	
1,518.	Just Retirement Limited	3.275.	The inclusion of "…the liabilities…" in sub para (a) is very strange – we would not expect an asset model to "deliver" prices for liabilities, and even if so, not ones which are verifiable in the market.	See No 1513
1,519.	PEARL GROUP LIMITED	3.275.	a) We would interpret this, and think the wording should be so updated as such, as meaning that there should not be any inconsistencies between the prices of assets and liabilities.	See No 1513
1,520.	Pricewaterhou seCoopers LLP	3.275.	See comments under 3.258	
1,521.	Pricewaterhou seCoopers LLP	3.275.	See comments under 3.258	
1,522.	RBS Insurance	3.275.	We believe 3.275 a) should read "financial market liabilities" rather than "liabilities"	See No 1513
1,523.	Association of British Insurers	3.276.	See comments under 3.253	
1,524.	CEA, ECO-SLV-09-433	3.276.	As described in our responses 3.253–4 and 3.237-8 above, implied rather than historic volatilities should be used. This links to CP40 – It is more appropriate to calibrate the risk-free curve to swap rates rather than government bond rates.	Noted

			Ceiops argues that the asset model shall be calibrated to an appropriate volatility measure. However for the risk free interest rate suggested by Ceiops in CP40 (AAA-rated government bonds) there are no volatility measures available. Therefore, Ceiops' proposals in CP40 will cause a serious difficulty when valuing options and guarantees which are included in the technical provisions.	Noted
1,525.	CRO Forum	3.276.	CEIOPS argues that the asset model shall be calibrated to an appropriate volatility measure. However for the risk free interest rate as suggested by CEIOPS in CP40 there are no volatility measures available. This will pose a serious problem in valuing options and guarantees which are included in the technical provisions. This advocates for swap rates rather than government bond rates being used as risk-free rates.	See No 1524
1,526.	DIMA (Dublin International Insurance & Management	3.276.	The requirement to use the Risk Free Rate, based on Government Curves will lead to a distortion of the implied volatility parameter as it will require that the Swap spread between the Risk Free curve and the Swap Curve is internalised in an adjusted implied volatility parameter. Such an exercise is of arguable value and consideration should be given to allowing market consistent prices use the Swap curve. Note that this approach will not distort the price of risk as the prices remain market consistent.	Noted
1,527.	European Insurance CFO Forum	3.276.	The CFO Forum recommends that in respect of dislocated financial markets, historical volatilities are more appropriate than implied volatilities. Comments in 3.257 are also relevant here. The CFO Forum recommends an illiquidity premium should be included in the risk-free rate term structure calibrations. The CFO Forum has commented explicitly on the allowance of an illiquidity premium in the response to CP40: Risk free interest rate	Noted

			structures.	
1,528.	PEARL GROUP LIMITED	3.276.	The use of implied volatilities should be considered as the default approach. If these aren't available then historical volatilities should be used.	Noted
1,529.	Pricewaterhou seCoopers LLP	3.276.	See comments under 3.259	
1,530.	Pricewaterhou seCoopers LLP	3.276.	See comments under 3.259	
1,531.	Association of British Insurers	3.277.	We would highlight that prudence should not result in deliberate insertion of margins but exercising care to avoid undue optimism and to have due process and challenge.	Agreed See revised text.
1,532.	CEA, ECO-SLV-09-433	3.277.	See comment to Para 3.260. These requirements should not be interpreted in an unduly rigid way. The presumption should be in favour of using market prices.	
1,533.	DIMA (Dublin International Insurance & Management	3.277.	Advice will be needed as to when a price is deemed to be distorted and corrections can be made.	Not agreed Guidance are not part of this CP.
1,534.	Pricewaterhou seCoopers LLP	3.277.	See comments under 3.260	
1,535.	Pricewaterhou seCoopers LLP	3.277.	See comments under 3.260	
1,536.	Association of British Insurers	3.278.	These requirements should not be interpreted in an unduly rigid way. The presumption should be in favour of using market prices.	Noted
1,537.	Association of Friendly Societies	3.278.	Remove the expression "The properties above are expected to be permanent". No market is expected to be permanently available in all stressed conditions.	Not agreed Definition of financial market is

				not part of this CP
1,538.	CEA, ECO-SLV-09-433	3.278.	See comment to Para 3.260.	

1,539.	CRO Forum	3.278.	It is difficult to prove if a market is expected to be permanently deep, liquid and transparent ☐ It is important to note that large is not an absolute value but should be considered in context of a market. For any given market, however deep, liquid or transparent, there will be a volume large enough that will impact the prices of the financial instrument when traded at those volumes ☐ The advice appears to be proposing that hedgable risks should be benchmarked against equity markets with a reference to information being readily available to the public. The advice ignores other markets, such as over-the-counted (OTC) or swaps markets which may have a deep, liquid and transparent market but information not readily available to the public. Moreover, it is unclear what is defined as "public", our interpretation of public is market participants within a given market ☐ The advice introduces a concept of permanency however we have witnessed in the recent financial crisis that this does not hold true at all times, therefore it cannot be considered as a market consistent approach. We also believe that such an approach does not allow for future market developments, eg catastrophe risk. We propose that instead of permanency, a concept of "expectations" be defined where future outlook coupled with past experiences of a market are used to assess whether the market is expected to meet the criteria set in bullet 1 & 2 for the foreseeable future. Alternatively, bullet three can be removed from the advice. We strongly recommend that the CEIOPS set advice that is tailored for all market conditions to comply with the principle of market consistency as outlined in the Solvency II directive.	See No 1537

1,540.	European Insurance CFO Forum	3.278.	The CFO Forum has responded explicitly to the definition of a "deep, liquid and transparent market" in their response to CP41. This is repeated below for reference: The basis for identifying observable reliable market values in a '"deep, liquid and transparent market" is too restrictive and the guidelines should be more applicable in practice. Possible amendments include: ☐ Aligning the definition with that of active markets used in IFRS Exposure Draft for Fair Value Measurement: "A market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis." The CFO Forum highlights, however, that the guidance in this exposure draft in relation to inactive markets is circular and needs to be revisited. ☐ Change the first bullet point to require that market values are adjusted for variation in future cash flows not reflected in the replicating cash flows to achieve a reliable estimate. ☐ The third point, "The properties are expected to be permanent", should be deleted as the characteristics of markets do change and it is unclear how markets should be treated if they subsequently fail to meet the definition.	Noted Not agreed Definition of financial market is not part of this CP Not agreed Definition of financial market is not part of this CP See No 1537
1,541.	Groupe Consultatif	3.278.	Remove the expression "The properties above are expected to be permanent". No market is expected to be permanently available in all stressed conditions.	See No 1537
1,542.	Investment & Life Assurance Group (ILAG)	3.278.	Remove the expression "The properties above are expected to be permanent". No market is expected to be permanently available in all stressed conditions.	See No 1537
1,543.	Legal &	3.278.	The requirement in c) for a) and b) to be permanent should be	See No 1537

	General Group		removed. The permanence requirement will be difficult to prove as there are always be circumstances in which, for example, market participants cannot rapidly execute large-volume transactions with little impact on prices. A recent example is the Libor market which changed quickly from being deep and liquid to shallow and illiquid	
1,544.	Munich RE	3.278.	We would recommend to delete the third requirement in order to avoid undue flexibility.	See No 1537
1,545.	OAC Actuaries and Consultants	3.278.	Remove the expression "The properties above are expected to be permanent". No market is expected to be permanently available in all stressed conditions.	See No 1537
1,546.	PEARL GROUP LIMITED	3.278.	These requirements should not be interpreted in an unduly rigid way. The presumption should be in favour of using market prices.	See No 1536
1,547.	Pricewaterhou seCoopers LLP	3.278.	See comments under 3.260	
1,548.	Pricewaterhou seCoopers LLP	3.278.	See comments under 3.260	
1,549.	Pricewaterhou seCoopers LLP	3.279.	See comments under 3.260	
1,550.	Pricewaterhou seCoopers LLP	3.279.	See comments under 3.260	
1,551.	DIMA (Dublin International Insurance & Management	3.280.	We suggest that where calibration has regard to Actuarial and Statistical analysis of economic variables regard has to be given as to whether such calibrations contemplate the underlying models to be employed or the inclusion of any margins for cost of capital.	Noted
1,552.	European Insurance CFO Forum	3.280.	'Adequate' calibrations are not defined. The CFO Forum suggests that appropriate methods for extrapolation are set out here.	Not agreed Methods for extrapolation are not part of this CP
1,553.	Pricewaterhou	3.280.	See comments under 3.262	

	seCoopers LLP			
1,554.	Pricewaterhou seCoopers LLP	3.280.	See comments under 3.262	
1,555.	KPMG ELLP	3.281.	We agree.	Noted
1,556.	Lloyd's	3.281.	We agree.	See No 1555
1,557.	KPMG ELLP	3.282.	We agree.	See No 1555
1,558.	Lloyd's	3.282.	We agree.	See No 1555
1,559.	AAS BALTA	3.283.	In general non-life undertakings will base their assessment of technical provisions on internal data, overlaid by external where appropriate particularly where internal data is deficient in some way. CEIOPS's advice that "all relevant data whether external or internal should be taken into account" is impossible to apply in practice as "all external data" is potentially too large a pool of data to be accumulated and understood. This paragraph should be deleted.	Not agreed Interna and external data should be used to determine technical provisions which will be in accordance with Recital 32 and 32a.
1,560.	AB Lietuvos draudimas	3.283.	In general non-life undertakings will base their assessment of technical provisions on internal data, overlaid by external where appropriate particularly where internal data is deficient in some way. CEIOPS's advice that "all relevant data whether external or internal should be taken into account" is impossible to apply in practice as "all external data" is potentially too large a pool of data to be accumulated and understood. This paragraph should be deleted.	See No 1559
1,561.	Association of British Insurers	3.283.	We understand CEIOPS' intention to avoid any cherry picking in the use of external data. However, we are concerned that this requirement might be too onerous in practice and would recommend the use of proportionality here. 'All relevant data available': we believe this requirement should not	Agreed See revised text.

			be read to mean an exhaustive search for any potentially relevant data must be undertaken.	
1,562.			Confidential comment deleted.	
1,563.	CEA, ECO-SLV-09-433	3.283.	Proportionality should be applied. ☐ Internal versus external data - We understand Ceiops' intention to avoid any cherry picking in the use of external data. However, we are concerned that this requirement might be too onerous in practice and would recommend the use of proportionality to be applied in determining which external or internal data is used. There will inevitably be some choices in the selection and use of information to arrive at assumptions for the business. The firm should be able to explain how it has arrived at these assumptions and the data that has been used.	See 1561
			☐ "All relevant data available" - we believe this requirement should not be read to mean that an exhaustive search for any potentially relevant data must be undertaken.	See No 1561
1,564.	CRO Forum	3.283.	We understand CEIOPS' intention to avoid any cherry picking in the use of external data. However, we are concerned that this requirement might be too onerous in practice and would recommend the use of proportionality when determining the data, internal and external, to be used for formulating assumptions.	See No 1561
1,565.	DENMARK Codan Forsikring A/S (10529638)	3.283.	In general non-life undertakings will base their assessment of technical provisions on internal data, overlaid by external where appropriate particularly where internal data is deficient in some way. CEIOPS's advice that "all relevant data whether external or internal should be taken into account" is impossible to apply in practice as "all external data" is potentially too large a pool of data to be accumulated and understood. This paragraph should be deleted.	See No 1559

1,566.	Just Retirement Limited	3.283.	The requirement for "All relevant available data…" to be taken into account is very onerous – it would be impossible to be well enough informed to be certain of knowing about all relevant and available data. We would prefer wording to the effect that the data taken into account should be reviewed against an appropriate sample of relevant external data.	Agreed See revised text.
1,567.	KPMG ELLP	3.283.	We believe this statement is too strong, as "all relevant available external data" cannot be taken into account and some element will involve a cost to the undertaking. We suggest amending the statement to "All relevant available data should be taken into account in order to arrive at the assumption which best reflects the characteristics of the underlying portfolio. In the case of using external data, only that which the undertaking can reasonably be expected to have access too should be considered"	Agreed See revised text.
1,568.	Link4 Towarzystwo Ubezpieczeń SA	3.283.	In general non-life undertakings will base their assessment of technical provisions on internal data, overlaid by external where appropriate particularly where internal data is deficient in some way. CEIOPS's advice that "all relevant data whether external or internal should be taken into account" is impossible to apply in practice as "all external data" is potentially too large a pool of data to be accumulated and understood. This paragraph should be deleted.	See No 1559
1,569.	Lloyd's	3.283.	We believe that this statement is too strong. "All relevant available external data" cannot be taken into account and some element will involve a cost to the undertaking. We suggest amending the statement to "All relevant available data should be taken into account in order to arrive at the assumption which best reflects the characteristics of the underlying portfolio. If using external data, only that which the undertaking can reasonably be expected to have access to should be considered".	See No 1567

1,570.	Milliman	3.283.	This statement places an unnecessary burden on all undertakings to purchase all data made available in the market, which is not appropriate. We suggest the language is too strong.	Agreed See revised text.
1,571.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.283.	In general non-life undertakings will base their assessment of technical provisions on internal data, overlaid by external where appropriate particularly where internal data is deficient in some way. CEIOPS's advice that "all relevant data whether external or internal should be taken into account" is impossible to apply in practice as "all external data" is potentially too large a pool of data to be accumulated and understood. This paragraph should be deleted.	See No 1559
1,572.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.283.	In general non-life undertakings will base their assessment of technical provisions on internal data, overlaid by external where appropriate particularly where internal data is deficient in some way. CEIOPS's advice that "all relevant data whether external or internal should be taken into account" is impossible to apply in practice as "all external data" is potentially too large a pool of data to be accumulated and understood. This paragraph should be deleted.	See No 1559
1,573.	PEARL GROUP LIMITED	3.283.	We understand CEIOPS' intention to avoid any cherry picking in the use of external data. However, we are concerned that this requirement might be too onerous in practice and would recommend the use of proportionality here.	See No 1561
1,574.	Pricewaterhou seCoopers LLP	3.283.	There is no mention of the cost to undertakings in performing such an analysis. Also, it is unclear how an undertaking would sure to have included "all relevant available data."	Agreed See revised text.
1,575.	Pricewaterhou seCoopers LLP	3.283.	There is no mention of the cost to undertakings in performing such an analysis. Also, it is unclear how an undertaking would sure to have included "all relevant available data."	See No 1574

1,576.	RBS Insurance	3.283.	This requirement needs to be applied sensibly. Suggest deletion of the word "All".	Agreed See revised text.
1,577.	RSA Insurance Group PLC	3.283.	In general non-life undertakings will base their assessment of technical provisions on internal data, overlaid by external where appropriate particularly where internal data is deficient in some way. CEIOPS's advice that "all relevant data whether external or internal should be taken into account" is impossible to apply in practice as "all external data" is potentially too large a pool of data to be accumulated and understood. This paragraph should be deleted.	See No 1559
1,578.	RSA Insurance Ireland Ltd	3.283.	In general non-life undertakings will base their assessment of technical provisions on internal data, overlaid by external where appropriate particularly where internal data is deficient in some way. CEIOPS's advice that "all relevant data whether external or internal should be taken into account" is impossible to apply in practice as "all external data" is potentially too large a pool of data to be accumulated and understood. This paragraph should be deleted.	See No 1559
1,579.	RSA - Sun Insurance Office Ltd.	3.283.	In general non-life undertakings will base their assessment of technical provisions on internal data, overlaid by external where appropriate particularly where internal data is deficient in some way. CEIOPS's advice that "all relevant data whether external or internal should be taken into account" is impossible to apply in practice as "all external data" is potentially too large a pool of data to be accumulated and understood. This paragraph should be deleted.	See No 1559
1,580.	SWEDEN: Trygg-Hansa Försäkrings	3.283.	In general non-life undertakings will base their assessment of technical provisions on internal data, overlaid by external where appropriate particularly where internal data is deficient in some	See No 1559

	AB (516401-7799)		way. CEIOPS's advice that "all relevant data whether external or internal should be taken into account" is impossible to apply in practice as "all external data" is potentially too large a pool of data to be accumulated and understood. This paragraph should be deleted.	
1,581.	AAS BALTA	3.284.	For similar reasons to 3.283 the first bullet should be deleted.	See No 1559
1,582.	AB Lietuvos draudimas	3.284.	For similar reasons to 3.283 the first bullet should be deleted.	See No 1581
1,583.	CRO Forum	3.284.	"The extent to which internal data is taken into account should be based on: - the availability, quality and relevance of external data - the amount and quality of internal data " Agreed. This should however not waive companies on working to improve the availability of internal data (e.g. collect more historical data) going forwards	Noted
1,584.	DENMARK Codan Forsikring A/S (10529638)	3.284.	For similar reasons to 3.283 the first bullet should be deleted.	See No 1581
1,585.	KPMG ELLP	3.284.	We agree.	Noted
1,586.	Link4 Towarzystwo Ubezpieczeń SA	3.284.	For similar reasons to 3.283 the first bullet should be deleted.	See No 1581
1,587.	Lloyd's	3.284.	We agree.	See No 1584
1,588.	NORWAY: Codan Forsikring	3.284.	For similar reasons to 3.283 the first bullet should be deleted.	

	(Branch Norway) (991 502			
1,589.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.284.	For similar reasons to 3.283 the first bullet should be deleted.	See No 1581
1,590.	RSA Insurance Group PLC	3.284.	For similar reasons to 3.283 the first bullet should be deleted.	See No 1581
1,591.	RSA Insurance Ireland Ltd	3.284.	For similar reasons to 3.283 the first bullet should be deleted.	See No 1581
1,592.	RSA - Sun Insurance Office Ltd.	3.284.	For similar reasons to 3.283 the first bullet should be deleted.	See No 1581
1,593.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.284.	For similar reasons to 3.283 the first bullet should be deleted.	See No 1581
1,594.	AAS BALTA	3.285.	For similar reasons to 3.283 the second sentence of this advice should be deleted.	See No 1559
1,595.	AB Lietuvos draudimas	3.285.	For similar reasons to 3.283 the second sentence of this advice should be deleted.	See No 1594
1,596.	Association of British Insurers	3.285.	See comments under 3.283 Whilst we accept there should not be overt cherry picking of data, there will inevitably be some choices in the selection and use of information to arrive at assumptions for the business. The firm	Noted

			should be able to explain how it has arrived at these assumptions and the data that has been used.	
1,597.	CEA, ECO-SLV-09-433	3.285.	See comment to Para 3.283.	
1,598.	DENMARK Codan Forsikring A/S (10529638)	3.285.	For similar reasons to 3.283 the second sentence of this advice should be deleted.	See No 1595
1,599.	DIMA (Dublin International Insurance & Management	3.285.	Companies should use the most appropriate data, whether internal, external or a blend of both and having regard to the judgment and expertise of those using the data and the models to be employed.	Agreed See revised text.
1,600.	European Insurance CFO Forum	3.285.	Assumptions should be based on consideration of the relevant internal and external data. The paragraph as drafted is confusing. It should make clear than assumptions should be based on a considered balance between the relevant internal and external data available.	Agreed See revised text.
1,601.	KPMG ELLP	3.285.	We strongly agree and believe that, ideally, undertaking specific data should be the first point of call, supplemented as necessary (and possible) by external data. This gives the most credible results, reflecting an undertaking's specific portfolio characteristics. Where expert judgment deems internal data adequate, there should be no requirement to even seek relevant external data.	Noted
1,602.	Link4 Towarzystwo Ubezpieczeń SA	3.285.	For similar reasons to 3.283 the second sentence of this advice should be deleted.	See No 1595
1,603.	Lloyd's	3.285.	We strongly agree and believe that, ideally, undertaking-specific	See No 1601

			data should be the first point of call, supplemented as necessary (and possible) by external data. This gives the most credible results, reflecting an undertaking's specific portfolio characteristics. Where expert judgment deems internal data adequate, there should be no requirement to seek relevant external data.	
1,604.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.285.	For similar reasons to 3.283 the second sentence of this advice should be deleted.	See No 1595
1,605.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.285.	For similar reasons to 3.283 the second sentence of this advice should be deleted.	See No 1595
1,606.	PEARL GROUP LIMITED	3.285.	We understand CEIOPS' intention to avoid any cherry picking in the use of external data. However, we are concerned that this requirement might be too onerous in practice and would recommend the use of proportionality here. It should be satisfactory that we can explain how we arrived atr our assumptions.	See No 1596
1,607.	Pricewaterhou seCoopers LLP	3.285.	We believe that in many cases undertaking's internal data in relation to technical risks should be used in the first instance because it is most likely to exhibit the behaviour specific to the undertaking's risks. This is particularly true for non-life liability measurement.	Noted
1,608.	Pricewaterhou seCoopers LLP	3.285.	We believe that in many cases undertaking's internal data in relation to technical risks should be used in the first instance because it is most likely to exhibit the behaviour specific to the	See No 1607

			undertaking's risks. This is particularly true for non-life liability measurement.	
1,609.	RSA Insurance Group PLC	3.285.	For similar reasons to 3.283 the second sentence of this advice should be deleted.	See No 1596
1,610.	RSA Insurance Ireland Ltd	3.285.	For similar reasons to 3.283 the second sentence of this advice should be deleted.	See No 1596
1,611.	RSA - Sun Insurance Office Ltd.	3.285.	For similar reasons to 3.283 the second sentence of this advice should be deleted.	See No 1596
1,612.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.285.	For similar reasons to 3.283 the second sentence of this advice should be deleted.	See No 1596
1,613.	AMICE	3.286.	As pointed out in our comments to paragraph 3.39 and 3.82, more guidance is needed on how to take account of "potential future cash flows" such as legal, technological or social developments.	Not agreed Guidance are not part of this CP.
1,614.	Association of British Insurers	3.286.	See comment at paragraph 3.1	
1,615.	Groupe Consultatif	3.286.	Include another issue g): Assumptions should be easy to comprehend by third (actuarial) parties, well documented and reasons for them should be given sufficiently, considering the internal / external data or qualitative information used as a basis.	Agreed See revised text.
1,616.	KPMG ELLP	3.286.	We agree. We note that although understanding uncertainty when making best estimates is important, it does not mean that any specific uncertainty loads are made.	Noted
1,617.	Legal & General Group	3.286.	Uncertainties over cash-flows should be reflected in the risk capital and not the best estimate.	Noted

1,618.	Lloyd's	3.286.	We agree. We note that although understanding uncertainty when making best estimates is important, it does not mean that any specific uncertainty loads are made.	See No 1616
1,619.	PricewaterhouseCoopers LLP	3.286.	See comments under 3.264	
1,620.	PricewaterhouseCoopers LLP	3.286.	See comments under 3.264	
1,621.	KPMG ELLP	3.291.	We do not believe that further prescription is necessary.	Noted
1,622.	Lloyd's	3.291.	We do not believe that further prescription is necessary.	See No 1621
1,623.	KPMG ELLP	3.292.	We agree.	Noted
1,624.	Lloyd's	3.292.	We agree.	See No 1623
1,625.	KPMG ELLP	3.293.	We agree.	Noted
1,626.	Lloyd's	3.293.	We agree.	See No 1626
1,627.	KPMG ELLP	3.294.	We agree. It is important to recognise that qualitative information is part of a validation process.	Noted
1,628.	Lloyd's	3.294.	We agree. It is important to recognise that qualitative information is part of a validation process.	See No 1627
1,629.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.295.	However, the common reference could be the best actuarial practices. When a method is commonly known to give adequate results in particular cases and is often used, undertakings would not have to demonstrate the relevance of it.	Agreed See revised text.
1,630.	KPMG ELLP	3.295.	We strongly agree but worry that para 3.291 may contradict this statement.	Noted
1,631.	Lloyd's	3.295.	We strongly agree, but are concerned that para 3.291 may	See No 1630

			contradict this statement.	
1,632.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCE S DU	3.299.	"(…) as frequently as the best estimate (…)" Or when it is obvious that an assumption has become erroneous because of recent new informations or changes of all kind (for example economic, legislative,…). The review ("as frequently as the best estimate") should also be optional for data which are supposed to be quite stable (mortality table)	Agreed See revised text
1,633.			Confidential comment deleted.	
1,634.	Dutch Actuarial Society – Actuarieel Genootschap (	3.299.	The validation of the best estimate results should be carried out at least as frequently as the best estate calculation is reported to the supervisor. An undertaking may calculate the best estimate more frequently for internal purposes.	Noted
1,635.	European Union member firms of Deloitte Touche To	3.299.	We agree that some aspects of the validation might need to be carried out as frequently as the best estimate calculations. However, to our opinion a complete validation of methods every time a valuation is performed might be to demanding.	See No 1632 & 1633
1,636.	Groupe Consultatif	3.299.	We agree that some aspects of the validation might need to be carried out as frequently as the best estimate calculations. However, to our opinion a complete validation of methods every time a valuation is performed might be too demanding.	See No 1635
1,637.	KPMG ELLP	3.299.	We agree, but note that proportionality and practicality are important and not every assumption needs to be re-validated at every exercise (for example, not required every quarter). The draft advice represents a much stronger requirement than proposed for validation of the internal model (cf CP56, paragraph 8.130), where the undertaking can determine validation frequency and also allows application of the principle of proportionality. Validation standards in respect of technical provisions should be aligned with those	See No 1632 & 1633

			proposed for the internal model.	
1,638.	Lloyd's	3.299.	We agree, but note that proportionality and practicality are important and not every assumption needs to be re-validated at every exercise (for example, not required every quarter). The draft advice represents a much stronger requirement than proposed for validation of the internal model (cf CP56, paragraph 8.130), where the undertaking can determine validation frequency and also allows application of the principle of proportionality. Validation standards in respect of technical provisions should be aligned with those proposed for internal models.	See No 1637
1,639.	PricewaterhouseCoopers LLP	3.299.	We question whether validation should be "carried out at least as frequently as the best estimate calculation" – this may not be practical for all undertakings. Time and cost constraints should be considered, as well as proportionality and materiality.	Agreed See revised text
1,640.	PricewaterhouseCoopers LLP	3.299.	We question whether validation should be "carried out at least as frequently as the best estimate calculation" – this may not be practical for all undertakings. Time and cost constraints should be considered, as well as proportionality and materiality.	See No 1639
1,641.	CEA, ECO-SLV-09-433	3.301.	See comments to Para 3.350.	
1,642.	Groupe Consultatif	3.301.	This seems inappropriately prescriptive and not to take account of proportionality. The materiality principle should be considered.	Not agreed Principle of proportionality is not part of this CP
1,643.	CRO Forum	3.302.	"Furthermore, the validation should be carried out separately for the best estimate and recoverables from reinsurance contract and special purpose vehicles, and in non-life insurance for premium provisions and claims provisions" The paragraph may be interpreted in two different ways:	Noted

			☐ It is required to validate the results of the estimations when completed, leaving flexibility in the frequency of the validations: this interpretation is reasonable ☐ It is required to estimate and validate the results more frequent in a year: it would be onerous and difficult to perform	
1,644.	European Union member firms of Deloitte Touche To	3.302.	See our previous points. (3.65, 3.112, 3.200, 3.216)	
1,645.	Groupe Consultatif	3.302.	This seems inappropriately prescriptive and not to take account of proportionality. See our previous points. (3.65, 3.112, 3.200, 3.216) "Furthermore, the validation should be carried out separately for the best estimate and recoverables from reinsurance contract and special purpose vehicles, and in non-life insurance for premium provisions and claims provisions" This seems onerous, especially if the validation would need to be carried out more frequent than the best estimate calculation. It would make sense for such an exercise if carried out once a year, but if it is required to do this more frequently, this should be required for the riskiest books of business only.	Not agreed Principle of proportionality is not part of this CP
1,646.			Confidential comment deleted.	
1,647.	Groupe Consultatif	3.303.	This seems inappropriately prescriptive and not to take account of proportionality.	Not agreed Principle of proportionality is not part of this CP

1,648.	KPMG ELLP	3.303.	We are concerned this could be interpreted such that every reserving exercise would require most assumptions to be re-validated. This would lead to an excessive and disproportionate work requirement. In practice, it may be more suitable to test assumptions less frequently and test that nothing has significantly changed to invalidate assumptions. Most assumptions do not need to be re-validated.	Not agreed There could be changes which could affect the assumptions.
1,649.	Lloyd's	3.303.	We are concerned that this could be interpreted as meaning that every reserving exercise would require most assumptions to be re-validated. This would lead to an excessive and disproportionate work requirement. In practice, it may be more suitable to test assumptions less frequently and test that nothing has significantly changed to invalidate assumptions. Most assumptions do not need to be re-validated.	See No 1648
1,650.	Milliman	3.303.	We are concerned this could be interpreted as requiring the validation of every assumption during each analysis, which would be excessive and disproportionate in cases where updates of analyses take place on a frequent basis (e.g. quarterly). In practice, it may be more advantageous and efficient to validate certain assumptions less frequently than others.	See No 1648
1,651.	PricewaterhouseCoopers LLP	3.303.	Materiality and proportionality should be borne is mind. It would appear cumbersome to validate every assumption (even where statistically possible).	Not agreed Principle of materiality and proportionality is not part of this CP
1,652.	PricewaterhouseCoopers LLP	3.303.	Materiality and proportionality should be borne is mind. It would appear cumbersome to validate every assumption (even where statistically possible).	See No 1651

1,653.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCE S DU	3.304.	For small undertakings, it will not be easy to find an expert to give an advice on the appropriateness of an assumption and another expert to review independently those assumptions.	Noted
1,654.	DIMA (Dublin International Insurance & Management	3.304.	It may be onerous for an independent review of the validation process to occur on a quarterly basis if this is the frequency of reporting.	Noted
1,655.	Groupe Consultatif	3.304.	This seems inappropriately prescriptive and not to take account of proportionality.	Not agreed Principle of proportionality is not part of this CP
1,656.	KPMG ELLP	3.304.	We agree that peer review is important and would like it explicit in the level 2 wordings that this does not have to be an external review.	Agreed See footnote
1,657.	Lloyd's	3.304.	We agree that peer review is important and would like it explicit in the level 2 wordings that this does not have to be an external review.	See No 1656
1,658.	Milliman	3.304.	We agree that peer review is important and would stress that the word "independent" should not preclude using resources from the same organization.	See No 1656
1,659.			Confidential comment deleted.	
1,660.	KPMG ELLP	3.308.	We agree.	Noted
1,661.	Lloyd's	3.308.	We agree.	See No 1660
1,662.	Association of British Insurers	3.309.	We take this to mean in the case where expert judgement is used the firm should undertake appropriate review of these assumptions after the event. Backtesting would not be expected in the same	Noted

			way as for statistical analysis on quantitative data.	
1,663.	CEA, ECO-SLV-09-433	3.309.	We take this to mean in the case where expert judgement is used the firm should undertake appropriate review of these assumptions after the event. Back testing would not be expected in the same way as for statistical analysis on quantitative data.	See No 1662
1,664.	PEARL GROUP LIMITED	3.309.	We take this to mean in the case where expert judgement is used the firm should undertake appropriate review of these assumptions after the event. Backtesting would not be expected in the same way as for statistical analysis on quantitative data.	See No 1662
1,665.	KPMG ELLP	3.310.	We agree.	Noted
1,666.	Lloyd's	3.310.	We agree.	See No 1665
1,667.	KPMG ELLP	3.317.	We agree.	Noted
1,668.	Lloyd's	3.317.	We agree.	See No 1667
1,669.	CEA, ECO-SLV-09-433	3.319.	Although we understand that only the text in the blue boxes will be included as part of Level 2, we would like to highlight that we believe that the majority of the section on "goodness-of-fit" checking is too detailed to form part of Level 2. ☐ We propose the deletion of 3.319 to 3.339	Noted
1,670.	German Insurance Association – Gesamtverband der D	3.319.	Although we understand that only the text in the blue boxes will be included as part of Level 2, we would like to highlight that we believe that the majority of the section on "goodness-of-fit" checking is too detailed to form part of Level 2. Proposal: delete 3.319 to 3.339	See No 1669
1,671.	AAS BALTA	3.320.	We do not understand the relevance of this paragraph	Agreed See revised text.
1,672.	AB Lietuvos draudimas	3.320.	We do not understand the relevance of this paragraph	See No 1671

1,673.	CEA, ECO-SLV-09-433	3.320.	Please see comments to Para 3.319.	
1,674.	DENMARK Codan Forsikring A/S (10529638)	3.320.	We do not understand the relevance of this paragraph	See No 1671
1,675.	German Insurance Association – Gesamtverband der D	3.320.	Please see comments to Para 3.319.	
1,676.	KPMG ELLP	3.320.	This is useful but care is needed that this is not outside the scope for technical provisions.	Noted
1,677.	Link4 Towarzystwo Ubezpieczeń SA	3.320.	We do not understand the relevance of this paragraph	See No 1671
1,678.	Lloyd's	3.320.	This is useful, but care is needed that this is not outside the scope for technical provisions.	See No 1676
1,679.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.320.	We do not understand the relevance of this paragraph	See No 1671
1,680.	NORWAY: Codan Forsikring	3.320.	We do not understand the relevance of this paragraph	See No 1671

	(Branch Norway) (991 502			
1,681.	RSA Insurance Group PLC	3.320.	We do not understand the relevance of this paragraph	See No 1671
1,682.	RSA Insurance Ireland Ltd	3.320.	We do not understand the relevance of this paragraph	See No 1671
1,683.	RSA - Sun Insurance Office Ltd.	3.320.	We do not understand the relevance of this paragraph	See No 1671
1,684.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.320.	We do not understand the relevance of this paragraph	See No 1671
1,685.	CEA, ECO-SLV-09-433	3.321.	Please see comments to Para 3.319.	
1,686.	German Insurance Association – Gesamtverband der D	3.321.	Please see comments to Para 3.319.	
1,687.	CEA, ECO-SLV-09-433	3.322.	Please see comments to Para 3.319.	
1,688.	German Insurance	3.322.	Please see comments to Para 3.319.	

	Association – Gesamtverband der D			
1,689.	KPMG ELLP	3.322.	We agree.	Noted
1,690.	Lloyd's	3.322.	We agree.	See No 1689
1,691.	CEA, ECO-SLV-09-433	3.323.	Please see comments to Para 3.319.	
1,692.	German Insurance Association – Gesamtverband der D	3.323.	Please see comments to Para 3.319.	
1,693.	CEA, ECO-SLV-09-433	3.324.	Please see comments to Para 3.319.	
1,694.	European Insurance CFO Forum	3.324.	The definition of "curves" is unclear and should be clarified.	Agreed See revised text
1,695.	German Insurance Association – Gesamtverband der D	3.324.	Please see comments to Para 3.319.	
1,696.	Munich RE	3.324.	Please clarify the definition of "curves". 3.324 is difficult to understand.	See No 1694
1,697.	CEA,	3.325.	Please see comments to Para 3.319.	

	ECO-SLV-09-433			
1,698.	German Insurance Association – Gesamtverband der D	3.325.	Please see comments to Para 3.319.	
1,699.	CEA, ECO-SLV-09-433	3.326.	Please see comments to Para 3.319.	
1,700.	German Insurance Association – Gesamtverband der D	3.326.	Please see comments to Para 3.319.	
1,701.	CEA, ECO-SLV-09-433	3.327.	Please see comments to Para 3.319.	
1,702.	German Insurance Association – Gesamtverband der D	3.327.	Please see comments to Para 3.319.	
1,703.	KPMG ELLP	3.327.	We agree. Analyses of movements are currently, and should remain, sound market practice.	Noted
1,704.	Lloyd's	3.327.	We agree. Analyses of movements are currently, and should remain, sound market practice.	See No 1703
1,705.	CEA,	3.328.	Please see comments to Para 3.319.	

	ECO-SLV-09-433			
1,706.	DIMA (Dublin International Insurance & Management	3.328.	Point vii indicates that quarterly analysis of movement may be required. 3.327 suggests that the analysis would be on a yearly basis, which we believe should be adequate.	Agreed See revised text.
1,707.	German Insurance Association – Gesamtverband der D	3.328.	Please see comments to Para 3.319.	
1,708.	KPMG ELLP	3.328.	We agree.	Noted
1,709.	Lloyd’s	3.328.	We agree.	See No 1708
1,710.	CEA, ECO-SLV-09-433	3.329.	Please see comments to Para 3.319.	
1,711.	German Insurance Association – Gesamtverband der D	3.329.	Please see comments to Para 3.319.	
1,712.	PricewaterhouseCoopers LLP	3.335.	We welcome the tools that are detailed in 3.335 to 3.339. We believe that these are essential in testing whether a stochastic calibration is market consistent. We therefore question whether there should be some compulsion over performing these tests. Additionally, we note: ☐ The tools noted are statistical in nature. There is no mention of qualitative checks on the base calibration that may be	Noted

			helpful. ☐ There is no mention of reproducing property volatility, credit risk (where applicable) and correlation calibrations. These are also key tests that may be worthy of explicit note. For the correlation calibration, we note that consideration should be given to the period of assessment (e.g. monthly, annually etc.) and to the treatment of inter-economy correlations which can be significant at group level. ☐ The use of tolerances (or hurdles) around the test results is often helpful in setting benchmarks as to the accuracy of the calibration. It may be worth considering this in Level 3 text. ☐ In all aspects of the calibration, the impact on the value of financial options and guarantees relative to appropriate levels of materiality should be considered. This comment also refers to 3.336-39	
1,713.	PricewaterhouseCoopers LLP	3.335.	We welcome the tools that are detailed in 3.335 to 3.339. We believe that these are essential in testing whether a stochastic calibration is market consistent. We therefore question whether there should be some compulsion over performing these tests. Additionally, we note: ☐ The tools noted are statistical in nature. There is no mention of qualitative checks on the base calibration that may be helpful. ☐ There is no mention of reproducing property volatility, credit risk (where applicable) and correlation calibrations. These are also key tests that may be worthy of explicit note. For the correlation calibration, we note that consideration should be given to the period of assessment (e.g. monthly, annually etc.) and to the treatment of inter-economy correlations which can be significant at group level.	See No 1712

			☐ The use of tolerances (or hurdles) around the test results is often helpful in setting benchmarks as to the accuracy of the calibration. It may be worth considering this in Level 3 text. ☐ In all aspects of the calibration, the impact on the value of financial options and guarantees relative to appropriate levels of materiality should be considered. This comment also refers to 3.336-39	
1,714.	Pricewaterhou seCoopers LLP	3.336.	See comments in 3.335.	
1,715.	Pricewaterhou seCoopers LLP	3.336.	See comments in 3.335.	
1,716.	Pricewaterhou seCoopers LLP	3.337.	See comments in 3.335.	
1,717.	Pricewaterhou seCoopers LLP	3.337.	See comments in 3.335.	
1,718.	European Insurance CFO Forum	3.338.	The testing of out of the money options may be difficult due to margins in the option prices. Whilst the requirement is theoretically reasonable, in practice it could be difficult to replicate the market price of out-of-the money options due to margins included by investment banks.	Noted
1,719.	Pricewaterhou seCoopers LLP	3.338.	See comments in 3.335.	
1,720.	Pricewaterhou seCoopers LLP	3.338.	See comments in 3.335.	
1,721.	Pricewaterhou seCoopers LLP	3.339.	See comments in 3.335.	
1,722.	Pricewaterhou	3.339.	See comments in 3.335.	

	seCoopers LLP			
1,723.	AMICE	3.340.	The requirements defined in section 3.10.6 section on validation and in particular regarding paragraphs 3.340 to 3.353, such as the purpose of validation methods and back-testing techniques, are linked to Pillar II issues and as such should be linked to CEIOPS' advice on the system of governance.	Not agreed This is part of valuation of technical provisions process
1,724.	CEA, ECO-SLV-09-433	3.340.	Regarding validation techniques, we request that the principle of proportionality should be outlined.	Not agreed Principle of proportionality is not part of this CP.
1,725.	FFSA	3.340.	Regarding validation techniques, FFSA suggests that the principle of proportionality should be outlined.	See No 1723
1,726.	KPMG ELLP	3.340.	We agree. It is also important to recognise that qualitative information is part of a validation process	Noted
1,727.	Lloyd's	3.340.	We agree. It is also important to recognise that qualitative information is part of a validation process	See No 1726
1,728.	Pricewaterhou seCoopers LLP	3.340.	This should include qualitative information where relevant.	Not agreed Valuation methods could be quantitative.
1,729.	Pricewaterhou seCoopers LLP	3.340.	This should include qualitative information where relevant.	See No 1728
1,730.	ROAM	3.340.	ROAM suggests that the principle of proportionality should be outlined.	See No 1724
1,731.	ACA – ASSOCIATION DES COMPAGNIES	3.341.	We underline the proportionality principle in choosing actuarial methods.	Not agreed Principle of proportionality not part of this CP.

	D'ASSURANCES DU			
1,732.	Association of British Insurers	3.341.	Paragraph 3.341 refers to the use of "proportionate" methods. However, back testing and peer review of all reserving analysis would be very demanding, particularly if carried out at the same time as the best estimate review (3.4.8). A regular review of material items would be more appropriate – and this could focus on different areas at different times.	Agreed See revised advice
1,733.	CEA, ECO-SLV-09-433	3.341.	Subsection a) seems to have the same meaning as subsection b) in Pars 3.342. We suggest that one of these sections is deleted.	Not agreed Purpose of this paragraph is to ensure, and the following to assist to justify.
1,734.	European Insurance CFO Forum	3.341.	The validation requirement should be consistent with existing IFRS or EEV processes and set with regard to the principle of proportionality.	Not agreed Principle of proportionality not part of this CP.
1,735.	KPMG ELLP	3.341.	We agree.	Noted
1,736.	Lloyd's	3.341.	We agree.	See No 1735
1,737.	PricewaterhouseCoopers LLP	3.341.	We welcome the validation tests in Section 3.10 (3.287 – 3.339). However, in the "CEIOPS' advice" box, there is no explicit mention of validating the results themselves as there is throughout the explanatory text. We recommend that a separate part (d) on the assessment of the results is included.	Agreed See revised text.
1,738.	PricewaterhouseCoopers LLP	3.341.	We welcome the validation tests in Section 3.10 (3.287 – 3.339). However, in the "CEIOPS' advice" box, there is no explicit mention of validating the results themselves as there is throughout the explanatory text. We recommend that a separate part (d) on the assessment of the results is included.	See No 1737
1,739.	ROAM	3.341.	See comment to paragraph 3.340	

1,740.	AMICE	3.342.	See comment to paragraph 3.340	
1,741.	CEA, ECO-SLV-09-433	3.342.	We agree that the Validation Techniques should be used to test the appropriateness, completeness and accuracy of the model assumptions. See also comments to Para 3.341.	Noted
1,742.	KPMG ELLP	3.342.	We agree.	Noted
1,743.	Lloyd's	3.342.	We agree.	See No 1742
1,744.	ROAM	3.342.	See comment to paragraph 3.340	
1,745.	AMICE	3.343.	See comment to paragraph 3.340	
1,746.	KPMG ELLP	3.343.	We agree and do not believe further prescription is required.	Noted
1,747.	Lloyd's	3.343.	We agree and do not believe further prescription is required.	See No 1746
1,748.	ROAM	3.343.	See comment to paragraph 3.340	
1,749.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.344.	We agree with the back testing principle.	Noted
1,750.	AMICE	3.344.	See comment to paragraph 3.340	
1,751.	Association of British Insurers	3.344.	We agree that backtesting should include any method which would enable any firm to identify and analyse significant deviations between actual and predicted best estimate values (3.346).	Noted
1,752.	CEA, ECO-SLV-09-433	3.344.	We agree with Ceiops in supporting the adoption of back testing. Back testing should include any method which would enable a firm to identify and analyse significant deviations between actual and predicted best estimate values (as per Para 3.346).	See No 1752

1,753.	CRO Forum	3.344.	This Section concerns the Validation Techniques to ensure valuation methods, assumptions and results. We agree with the principles indicated by CEIOPS, in particular the confirmation of: ☐ The principle of proportionality for adopting the actuarial methods (according to nature, scale and complexity of the risks) ☐ The principles of appropriateness, completeness and accuracy of the model assumptions. We agree with CEIOPS in supporting the adoption of Back testing.	Not agreed Principle of proportionality not part of this CP.
1,754.	Groupe Consultatif	3.344.	Besides backtesting techniques at lot of other methods exist supporting the validation process, which are unfortunately not mentioned here: scenario testing, sensitivity analyses, analyses of residuals, investigation of diagnostic key figures, statistical diagnostic techniques, …	Not agreed Mentioned methods don't support that the best estimate and the assumptions underlying the calculation of the best estimate are regularly compared against experience.
1,755.	KPMG ELLP	3.344.	We agree.	Noted
1,756.	Lloyd's	3.344.	We agree.	See No 1755
1,757.	ROAM	3.344.	See comment to paragraph 3.340	
1,758.	AMICE	3.345.	See comment to paragraph 3.340	
1,759.	CEA, ECO-SLV-09-433	3.345.	It is hard to see which controls this refers to that have not already been mentioned elsewhere. Is this not covered by 3.343, 3.344, 3.352, 3.352 and 3.353? What additional controls is this paragraph referring to? One might as well write "the best estimate should always correct".	Agreed See revised text
1,760.	European Insurance CFO Forum	3.345.	It is unclear whether this requirement is referring to controls or advice in addition to 3.343, 3.344, 3.352 and 3.353, or whether it is serving as a general statement. Further clarification is requested.	See No 1759

1,761.	KPMG ELLP	3.345.	We agree.	Noted
1,762.	Lloyd's	3.345.	We agree.	See No 1761
1,763.	ROAM	3.345.	See comment to paragraph 3.340	
1,764.	AMICE	3.346.	See comment to paragraph 3.340	
1,765.	KPMG ELLP	3.346.	We agree.	Noted
1,766.	Lloyd's	3.346.	We agree.	See No 1766
1,767.	RBS Insurance	3.346.	Again principle of materiality should be applied here	Not agreed Principle of materiality is not part of this CP.
1,768.	ROAM	3.346.	See comment to paragraph 3.340	
1,769.	AMICE	3.347.	See comment to paragraph 3.340	
1,770.	KPMG ELLP	3.347.	We agree that judgement and understanding of the book should be used to investigate validations.	Noted
1,771.	Lloyd's	3.347.	We agree that judgement and understanding of the book should be used to investigate validations.	See No 1770
1,772.	ROAM	3.347.	See comment to paragraph 3.340	
1,773.	AAS BALTA	3.348.	The best estimate calculation may be carried out frequently. A full validation on each occasion may be a significant overhead particularly when little has changed to the environment in which a portfolio operates. In these circumstances a stream-lined validation process should be sufficient.	Agreed See revised text.
1,774.	AB Lietuvos draudimas	3.348.	The best estimate calculation may be carried out frequently. A full validation on each occasion may be a significant overhead particularly when little has changed to the environment in which a portfolio operates. In these circumstances a stream-lined validation process should be sufficient.	See No 1773

1,775.	ACA – ASSOCIATION DES COMPAGNIES D'ASSURANCES DU	3.348.	In our opinion, there is a difference between a review of the parameters and a validation. A full validation should only happen when necessary.	Not agreed Validation should be performed whenever the results of technical provisions are reported.
1,776.	AMICE	3.348.	See comment to paragraph 3.340	
1,777.	Association of British Insurers	3.348.	We would suggest replacing 'carried out at least as frequently as the best estimate calculation' with 'reviewed where appropriate'. The calculation should be regularly reviewed but a full calculation carried out only where necessary.	See No 1775
1,778.			Confidential comment deleted.	
1,779.	CEA, ECO-SLV-09-433	3.348.	The best estimate calculation should be regularly reviewed, but a full validation should only be carried out where necessary. After an initial validation exercise subsequent full validations should only be required where there has been a material change. At other times it should be sufficient for companies to follow a formal process including a sign-off whereby the suitability of the model is reviewed by considering whether any changes since the previous valuation might have caused the valuation methodology and / or assumption setting process to be invalid. If there are grounds for believing that the approach and / or assumption setting process might be invalid then a full validation exercise should be carried out, otherwise the models should be accepted as appropriate. ☐ We would suggest the replacement of "carried out at least as frequently as the best estimate calculation" with "reviewed where appropriate". The validation should be proportionate to the nature, scale and complexity of the risks	See No 1777

			Ceiops has only referred to the nature and purpose of the best estimate calculation.	
1,780.	DENMARK Codan Forsikring A/S (10529638)	3.348.	The best estimate calculation may be carried out frequently. A full validation on each occasion may be a significant overhead particularly when little has changed to the environment in which a portfolio operates. In these circumstances a stream-lined validation process should be sufficient.	See No 1773
1,781.	Dutch Actuarial Society – Actuarieel Genootschap (	3.348.	The validation of the best estimate results should be carried out at least as frequently as the best estate calculation is reported to the supervisor. An undertaking may calculate the best estimate more frequently for internal purposes.	See No 1773
1,782.	Just Retirement Limited	3.348.	The requirement to undertake the validation at least as frequently as the best estimate calculation is unduly burdensome. We would suggest that it be "reviewed" at least as frequently as the best estimate calculation, and "undertaken" on a less frequent basis.	See No 1777
1,783.	KPMG ELLP	3.348.	We agree, but note that proportionality and practicality are important and not every assumption needs to be re-validated at every exercise (for example, not required every quarter).	See No 1773 &1775
1,784.	Link4 Towarzystwo Ubezpieczeń SA	3.348.	The best estimate calculation may be carried out frequently. A full validation on each occasion may be a significant overhead particularly when little has changed to the environment in which a portfolio operates. In these circumstances a stream-lined validation process should be sufficient.	See No 1773
1,785.	Lloyd's	3.348.	We agree, but note that proportionality and practicality are important and not every assumption needs to be re-validated at every exercise (for example, not required every quarter).	See No 1783
1,786.	NORWAY: Codan	3.348.	The best estimate calculation may be carried out frequently. A full validation on each occasion may be a significant overhead	See No 1773

	Forsikring (Branch Norway) (991 502		particularly when little has changed to the environment in which a portfolio operates. In these circumstances a stream-lined validation process should be sufficient.	
1,787.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.348.	The best estimate calculation may be carried out frequently. A full validation on each occasion may be a significant overhead particularly when little has changed to the environment in which a portfolio operates. In these circumstances a stream-lined validation process should be sufficient.	See No 1773
1,788.	PEARL GROUP LIMITED	3.348.	We would suggest replacing 'carried out at least as frequently as the best estimate calculation' with 'reviewed where appropriate'.	See No 1777
1,789.	Pricewaterhou seCoopers LLP	3.348.	We agree that proportionality is an important aspect. See comments in 3.299 and 3.303.	Not agreed Principle of proportionality is not part of this CP.
1,790.	Pricewaterhou seCoopers LLP	3.348.	We agree that proportionality is an important aspect. See comments in 3.299 and 3.303.	See No 1789
1,791.	RBS Insurance	3.348.	As described the validation exercise could be resource intensive. Given this, we believe certain parts of the validation can be updated less frequently, (eg- applicability of methods). Entities produce best estimate calculations of technical provisions frequently (eg monthly) for management purposes. We assume this requirement relates to the frequency of calculation of technical provisions for the statutory solvency requirement. We believe however that a high level validation of the results needs to be conducted at every review of the best estimate, with more detailed validation (as described) at more significant reporting dates.	See No 1773
1,792.	ROAM	3.348.	See comment to paragraph 3.340	
1,793.	RSA Insurance	3.348.	The best estimate calculation may be carried out frequently. A full	See No 1773

	Group PLC		validation on each occasion may be a significant overhead particularly when little has changed to the environment in which a portfolio operates. In these circumstances a stream-lined validation process should be sufficient.	
1,794.	RSA Insurance Ireland Ltd	3.348.	The best estimate calculation may be carried out frequently. A full validation on each occasion may be a significant overhead particularly when little has changed to the environment in which a portfolio operates. In these circumstances a stream-lined validation process should be sufficient.	See No 1773
1,795.	RSA - Sun Insurance Office Ltd.	3.348.	The best estimate calculation may be carried out frequently. A full validation on each occasion may be a significant overhead particularly when little has changed to the environment in which a portfolio operates. In these circumstances a stream-lined validation process should be sufficient.	See No 1773
1,796.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.348.	The best estimate calculation may be carried out frequently. A full validation on each occasion may be a significant overhead particularly when little has changed to the environment in which a portfolio operates. In these circumstances a stream-lined validation process should be sufficient.	See No 1773
1,797.	AMICE	3.349.	See comment to paragraph 3.340	
1,798.	KPMG ELLP	3.349.	We agree.	Noted
1,799.	Lloyd's	3.349.	We agree.	See No 1798
1,800.	ROAM	3.349.	See comment to paragraph 3.340	
1,801.	AMICE	3.350.	See comment to paragraph 3.340	
1,802.	Association of British Insurers	3.350.	We would suggest an alternative wording after the first sentence: 'this should be made at least at the level of homogeneous risk groups and, for life insurers, this could be broken down by main product types'. The groupings need not be the same for gross and reinsurance. For example, 'household' and 'commercial property'	Noted

			may be in different risk groups but the reinsurance may be provided in a combined property treaty.	
1,803.	CEA, ECO-SLV-09-433	3.350.	We request an explanation of the reasoning behind a different requirement for the validation of life insurance obligations. We do not see the rationale supporting requiring a different granularity for validating the best estimate result for life insurance (at the level of product types) to validating the best estimate result for non life insurance (at the level of homogeneous risk groups). Ceiops does not give any reason for the different segmentations. This could be burdensome. This needs to be subject to proportionality and materiality. ☐ We suggest that “detect insufficiencies” is replaced by “detect material insufficiencies”.	Validation of life insurance policies is performed on policy-by-policy basis. In validation process only segmentation on product types is required. Not agreed Principle of proportionality and materiality are not subject of this CP.
1,804.	European Insurance CFO Forum	3.350.	Clarification of the rationale for requiring a more granular approach for Life insurance compared to non-life is requested. It is not obvious as to why the requirement to validate the best estimate at the product type level is proposed for life when a less granular approach is required for all other insurance obligations. Clarification of this point is requested.	See No 1803
1,805.	FFSA	3.350.	CEIOPS states that for life insurance, the validation of best estimate should be performed at the level of product types, while for others insurance obligations, the validation should be performed at the level of homogeneous risks groups. FFSA understands that CEIOPS takes into account the specificity of life insurance which combines different types of risks in one product type and that this requirement does not necessary result in a finer granularity for life insurance.	Noted

1,806.	Groupe Consultatif	3.350.	This seems inappropriately prescriptive and not to take account of proportionality.	Not agreed Principle of proportionality is not subject of this CP.
1,807.	KPMG ELLP	3.350.	We agree.	Noted
1,808.	Lloyd's	3.350.	We agree.	See No 1806
1,809.	PEARL GROUP LIMITED	3.350.	We would suggest an alternative wording after the first sentence: 'this should be made at least at the level of homogeneous risk groups and, for life insurers, this could be broken down by main product types'.	See No 1802
1,810.	ROAM	3.350.	See comment to paragraph 3.340	
1,811.	AMICE	3.351.	See comment to paragraph 3.340	
1,812.	CEA, ECO-SLV-09-433	3.351.	The reasoning for mentioning details for the segmentation of the validation is not clear. ☐ We request that this paragraph is deleted.	Each of these segments have their own characteristic which differ from the others.
1,813.	Groupe Consultatif	3.351.	This seems inappropriately prescriptive and not to take account of proportionality.	Not agreed Principle of proportionality is not subject of this CP.
1,814.	KPMG ELLP	3.351.	We broadly agree, but note that, in some cases, validating claims and premiums provisions together may be more appropriate.	Not agree See No 1812
1,815.	Lloyd's	3.351.	We broadly agree, but note that, in some cases, validating claims and premiums provisions together may be more appropriate.	See No 1814
1,816.	ROAM	3.351.	See comment to paragraph 3.340	
1,817.	AMICE	3.352.	See comment to paragraph 3.340	
1,818.	Groupe Consultatif	3.352.	This seems inappropriately prescriptive and not to take account of proportionality.	See No 1813

1,819.	KPMG ELLP	3.352.	We are concerned this could be interpreted such that every reserving exercise would require most assumptions to be re-validated. This would lead to an excessive and disproportionate work requirement. In practice, it may be more suitable to test assumptions less frequently and test that nothing has significantly changed to invalidate assumptions. Most assumptions do not need to be re-validated.	Not agreed Validation should be performed whenever the results of technical provisions are reported.
1,820.	Lloyd's	3.352.	We are concerned this could be interpreted as meaning that every reserving exercise would require most assumptions to be re-validated. This would lead to an excessive and disproportionate work requirement. In practice, it may be more suitable to test assumptions less frequently and test that nothing has significantly changed to invalidate assumptions. Most assumptions do not need to be re-validated.	See No 1820
1,821.	Milliman	3.352.	We are concerned this could be interpreted as requiring the validation of every assumption during each analysis, which would be excessive and disproportionate in cases where updates of analyses take place on a frequent basis (e.g. quarterly). In practice, it may be more advantageous and efficient to validate certain assumptions less frequently than others.	See No 1820
1,822.	RBS Insurance	3.352.	We believe a validation of the overall results is key. A validation of each parameter (3.352) is a large piece of work so proportionality needs to be applied.	See No 1818
1,823.	ROAM	3.352.	See comment to paragraph 3.340	
1,824.	ACA – ASSOCIATION DES	3.353.	The validation process appears quite heavy and might be very onerous in practice.	Noted

	COMPAGNIES D'ASSURANCES DU			
1,825.	AMICE	3.353.	CEIOPS writes that the validations processes shall include appropriate documentation and evidence of peer review. CEIOPS defines, in the footnote on page 64, that a peer review should be carried out by internal and external experts in the field. In our opinion this process will lead to additional costs for insurance companies if the auditor's annual review cannot be used for the peer review. More guidance is also needed on how to coordinate the peer review with the examination of the actuarial function.	Note There is no requirement that peer review should be carried out by internal and external experts. Not agreed Guidance are not part of this CP.
1,826.	Association of British Insurers	3.353.	The use of peer review will need to be applied proportionately as this might be very onerous in practice. The documentation requirement should not necessarily imply lengthy technical prose, though an overall report explaining data and method would be necessary, to enable an appropriately qualified professional to understand how the best estimate calculation has been performed.	Not agreed Principle of proportionality is not subject of this CP.
1,827.	CEA, ECO-SLV-09-433	3.353.	The use of peer review will need to be applied proportionately as this might be very onerous in practice.	See No 1826
1,828.	CRO Forum	3.353.	The use of peer review will need to be applied proportionately as this might be very onerous in practice.	See No 1827
1,829.	DIMA (Dublin International Insurance & Management	3.353.	A full validation process every quarter appears onerous. Peer review is a potentially significant requirement and merits its own discussion and guidance, not a brief sentence here.	Not agreed Guidance not part of this CP.

1,830.	Groupe Consultatif	3.353.	This seems inappropriately prescriptive and not to take account of proportionality.	See No 1827
1,831.	KPMG ELLP	3.353.	We agree that peer review is important and would like it explicit in the level 2 wordings that this does not have to be an external review.	Noted
1,832.	Lloyd’s	3.353.	We agree that peer review is important and would like it explicit in the level 2 wordings that this does not have to be an external review.	See No 1831
1,833.	Milliman	3.353.	We agree that peer review is important and would stress that the word “independent” should not preclude using resources from the same organization.	Undertaking could use internal resources.
1,834.	PEARL GROUP LIMITED	3.353.	The use of peer review will need to be applied proportionately as this might be very onerous in practice.	See No 1827
1,835.	ROAM	3.353.	See comment to paragraph 3.340	
1,836.	AAS BALTA	3.358.	Delete “immediately” and add “as soon as reasonably practical” at the end of the sentence.	Agreed See revised text.
1,837.	AB Lietuvos draudimas	3.358.	Delete “immediately” and add “as soon as reasonably practical” at the end of the sentence.	See No 1836
1,838.	ACA – ASSOCIATION DES COMPAGNIES D’ASSURANCE S DU	3.358.	Is the use of “immediately” not too strong?	See No 1836
1,839.	Association of British Insurers	3.358.	We believe the word ‘immediate’ will need to be interpreted in a sensible manner. In some cases documents may be available only in electronic format.	See No 1836

1,840.	Association of Friendly Societies	3.358.	The documents referred to should include electronic documents.	Noted
1,841.	CEA, ECO-SLV-09-433	3.358.	We believe the word "immediate" will need to be interpreted in a sensible manner.	See No 1836
1,842.	CRO Forum	3.358.	It seems too burdensome to store all documents produced during the process of valuation of best estimate of technical provisions. The requirements should only cover the documentation that is relevant for an (internal or external) expert to follow the implications for the selected assumptions.	Not agreed Documentation stored should enable the supervisory authority to perform their job in accordance with Article 83
1,843.	DENMARK Codan Forsikring A/S (10529638)	3.358.	Delete "immediately" and add "as soon as reasonably practical" at the end of the sentence.	See No 1836
1,844.	DIMA (Dublin International Insurance & Management	3.358.	The requirement to store "all documents" needs some clarification, in particular to identify the purpose such as "the relevant documents to support the validation and to allow the supervisor satisfy themselves of the same".	See No 1842
1,845.	Groupe Consultatif	3.358.	It seems too burdensome to store all documents produced during the process of valuation of best estimate of technical provisions. The requirements should only cover the documentation that is relevant for an (internal or external) expert to follow the implications for the selected assumptions. The documents referred to should include electronic documents.	See No 1842 See No 1840
1,846.	Investment & Life Assurance Group (ILAG)	3.358.	The documents referred to should include electronic documents.	See No 1840

1,847.	KPMG ELLP	3.358.	We agree.	Noted
1,848.	Link4 Towarzystwo Ubezpieczeń SA	3.358.	Delete "immediately" and add "as soon as reasonably practical" at the end of the sentence.	See No 1836
1,849.	Lloyd's	3.358.	We agree.	See No 1847
1,850.	Munich RE	3.358.	It seems too burdensome to store all documents produced during the process of valuation of best estimate of technical provisions. The requirements should only cover the documentation that is relevant for an (internal or external) expert to follow the implications for the selected assumptions.	See No 1842
1,851.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.358.	Delete "immediately" and add "as soon as reasonably practical" at the end of the sentence.	See No 1836
1,852.	NORWAY: Codan Forsikring (Branch Norway) (991 502	3.358.	Delete "immediately" and add "as soon as reasonably practical" at the end of the sentence.	See No 1836
1,853.	PEARL GROUP LIMITED	3.358.	We believe the word 'immediate' will need to be interpreted in a sensible manner.	See No 1841
1,854.	PricewaterhouseCoopers LLP	3.358.	We question whether "immediately available" data would always be possible in practice.	Noted
1,855.	PricewaterhouseCoopers LLP	3.358.	We question whether "immediately available" data would always be possible in practice.	See No 1854

1,856.	RBS Insurance	3.358.	We agree the reports should be made available to the supervisor but would suggest the "make it available without delay" rather than "immediately available". This is consistent with wording from other Consultation Papers (eg- CP37 addendum where the lead supervisor must inform other supervisors "without delay").	Agreed See revised text
1,857.	RSA Insurance Group PLC	3.358.	Delete "immediately" and add "as soon as reasonably practical" at the end of the sentence.	See No 1836
1,858.	RSA Insurance Ireland Ltd	3.358.	Delete "immediately" and add "as soon as reasonably practical" at the end of the sentence.	See No 1836
1,859.	RSA - Sun Insurance Office Ltd.	3.358.	Delete "immediately" and add "as soon as reasonably practical" at the end of the sentence.	See No 1836
1,860.	SWEDEN: Trygg-Hansa Försäkrings AB (516401-7799)	3.358.	Delete "immediately" and add "as soon as reasonably practical" at the end of the sentence.	See No 1836
1,861.	XL Capital Ltd	3.358.	We would prefer that the requirement for all documents produced and used during the process of valuation of the best estimate of technical provisions to be made "immediately available" to the supervisor be replaced with "within a reasonable time frame acceptable to the supervisor".	Agreed See revised text
1,862.	KPMG ELLP	A.1.	We agree.	Noted
1,863.	Lloyd's	A.1.	We agree.	See No 1862
1,864.	KPMG ELLP	A.2.	We agree.	Noted
1,865.	Lloyd's	A.2.	We agree.	See No 1864
1,866.	KPMG ELLP	A.3.	We agree.	Noted

1,867.	Lloyd’s	A.3.	We agree.	See No 1866
1,868.	KPMG ELLP	A.4.	We agree.	Noted
1,869.	Lloyd’s	A.4.	We agree.	See No 1868