Summary of comments on CEIOPS-CP-32/09 CEIOPS-SEC-96/09

Consultation Paper on the Draft L2 Advice on TP – Assumptions about future management actions

CEIOPS would like to thank: **AVIVA, Pearl, FFSA, Munich Re group, International Underwriting Association of London (IUAL), Gesamtverband der Deutschen Versicherungswirtschaft (GDV), European Union member firms of Deloitte Touche Tohmatsu (Deloitte), Dublin International Insurance & Management Association (DIMA), Ireland's Solvency 2 Group, excluding representatives from the Department of Finance and the Financial Regulator (IE S2 Group), CRO Forum (CRO), Legal and General Group, XL Capital Group (including XL Insurance Company Ltd and XL Re Europe Ltd) (XL), Groupe Consultatif (GC), PricewaterhouseCoopers LLP UK (PwC), UNESPA, Association of British Insurers (ABI), KPMG ELLP, CFO Forum, Institut des Actuaires, Oliver Wyman, DAV Working Group Solvency II (DAV), CEA**

The numbering of the paragraphs refers to Consultation Paper No. 32 (CEIOPS-CP-32/09).

No.	Name	Reference	Comment	Resolution
1	AVIVA	General comment	Aviva supports the principle of the appropriateness of future Management Action assumptions used to project cash-flows. However we believe this paper is too high-level. Principles highlighted are sufficient but an objective and realistic choice of management actions cannot be achieved by these principles, therefore we will expect CEIOPS to complement this advice with further advice on this specific issue in level 3.	Agree. Further Level 3 guidance should be developed.
2	FFSA	General comment	The FFSA agrees with the recommendations outlined by the CEIOPS in this Consultation Paper, in particular in the definition of the assumptions for the projections used in the calculation of the Best Estimate. It is important to keep in mind that management actions taken in a run-off universe might not always be the same as management actions taken in an ongoing concern. That being taken into account, there	Noted.

			should be some allowance for diverging hypothesis between the two universes.	

3	Pearl	General comment	There needs to be flexibility in the way management actions can be documented because trigger points and algorithms may sometimes need to be expressed in terms of broad principles and processes e.g. on a with profits fund bonus rates and payouts may be managed in line with asset shares adjusted for smoothing - in this example the trigger and algorithm is not a single or multiple set of points but a continuum reflecting the dynamic impact on asset shares of the unfolding experience of the with profits fund. There should also be flexibility when implementing the management actions planned provided this flexibility is included in the appropriate documentation. Planned management actions need to be able to be adjusted if circumstances change, so for example a reasonable chain of actions should be acceptable when they are an appropriate response to the development of certain scenarios. Great care is needed in developing any 'objectivity' criteria as this may unduly fetter appropriate management actions. Also, where management actions "roll over", e.g. where a hedge is rebalanced quarterly, then the company should be able to allow for these management actions being in effect throughout the year and not just for the period currently covered by the management action. Supervisors will need to be reasonable in assessing tests for	Noted.

			objectivity, realism and verifiability.	
4	Munich Re	General comment	The management actions implemented should be consistent to the business planning. Otherwise the SCR could be influenced artificially by implementing management actions which reduce the SCR but are not planned to be put in action by the company.	Noted.
5	Munich Re	General comment	As future management actions can lead to different future premiums a clear distinction between CP 30 (Treatment of future premiums) and CP 32 is needed. Especially in health insurance future management actions can cover the following: • Adjustment of future premiums • Adjustment of calculation assumptions • Adjustment of policyholder participation on surplus funds, which can also affect future premiums The three main principles Objectivity, Realism and Verifiability are a good basis for best estimate calculations, so this CP shows enough flexibility for a reasonable implementing measure.	Noted.
6	IUAL	General comment	IUA supports the underlying objectives of Consultation Paper 32-09, to provide companies with a framework and guidance for the treatment of management actions in the calculation of their technical provisions. This is beneficial in providing clarity for (re)insurers in implementing a more risk based economic approach to capital requirements. Moreover, the recognition of the use and importance of management actions for (re)insurers in mitigating risk and calculating their best	Noted.

			estimate liabilities and SCR is welcomed. <u>Overall, therefore, we support the consultation proposals and the proposed supervisory approach therein</u>. Whilst laudable in principle, with regard to supervisors applying the proposed advice, care has to be taken not to unduly stifle management activity, particularly innovative management actions in stress conditions, through adoption of rigid algorithmic requirements. We accept that it is essential that (re)insurers have in place set structures for the assessment of risk and modelling clearly has a critical role to play in this regard. However, in our view, this should be applied within a principles-based approach, subject to continued scrutiny and sign-off at Board, or designated sub-committee level. Principles-based regulation is not only well established and embedded in (re)insurers' corporate governance, it would also allow them the necessary flexibility to amend their management approach, within set parameters and without Board scrutiny of every decision. Boards should not need to sign off on every management decision although we recognise ultimate board responsibility is an embedded part of Solvency II. Application of the advice in this way would be excessive, and might delay or hinder companies' ability to react quickly to amend their management approach. In line with a principles-based approach, companies should also have the flexibility to adopt a modelling approach or other risk assessment methodologies that are proportionate to their business and in line with established and verifiable principles. For the absence of doubt, where we have not commented on a paragraph, it can be taken that we are comfortable with the proposals.	

7	IUAL	General Comment	We would also query how far into the future such actions will need to be considered. The certainty of future actions is likely to diminish with a greater time horizon and could change in response to events. For General Insurance business, considering all conceivable future actions, when looking a long time into the future could be quite onerous. This is especially true given that some future actions might be dependent on other future actions taken before it; the further one looks into the future, the greater the number of permutations of future actions there could be – and therefore the greater the burden on firms.	Noted.
8	GDV	General Comment	**The GDV welcomes the opportunity to comment on CEIOPS' consultation paper CP-32-09. Moreover, in general the GDV supports the comments given by the CEA.** It is recommended to incorporate this consultation paper into consultation paper 33 dealing with governance and in particular with risk management issues. In paragraph 3.51 c and 3.52 of that paper appropriate processes and procedures for steering and decision making processes are required. In addition to this paragraph 3.192 of the same paper requires: *„The risk management function shall be responsible for the way in which an internal model is integrated with the undertaking's internal risk management system and the day-to-day functions of the undertaking. It shall assess the internal model as a tool of risk management and as a tool to calculate the undertaking's SCR."*	Disagreed. Management actions are connected but not identified in governance system or risk management.

			In addition it seems to be questionable if the cited level 1 text gives to appropriate basis for this kind of level 2-guidance. We strongly recommend sticking to level 1.	
9	Deloitte	General comment	We agree with the principle that "future management actions should be reflected in the projected cash-flows", as prescribed in the further advice provided to the European Commission on Pillar 1 issues (CEIOPS–DOC–08/07, March 2007). However, it should be noted that this approach in respect of future management actions is likely to be different to that adopted under IFRS. Accordingly, it will be necessary for firms to reconcile and justify these differences between their prudential and accounting balance sheets. We believe that the detail and advice provided in the Consultation Paper is helpful in providing guidance on the application of this principle. However, there are a number of areas where we believe that further clarification is needed in order to ensure that the proposal is applied consistently across Member States. As an overall comment, we would like to highlight the risk of including "other statements that give rise to policyholder expectations of how the management will run the business" in the consideration of management actions. In our view, the risk is twofold : - that the external disclosure of management actions could introduce	Noted. Noted. Agreed. Further level 3 guidance. Noted.

			pro-cyclical effects ; management could find their flexibility to respond to a crisis limited if they have had to publicly state certain management actions, e.g. the decision to maintain high bonus payments; and - on the contrary, management could be too prudent in their public statements in order to avoid restricting their options when dealing with a stress situation.	
10	DIMA	General comment	The paper only contemplates the future management action of the **undertaking**. For reinsurance undertakings the liability value may also depend on the future management action of the cedant. It will not be possible for the reinsurance undertaking to obtain the actual management plan as per 3.13 – 3.14. CEIOPS advice does not contemplate how a reinsurer should take account of future management actions of a cedant; it should and, in doing so, should also contemplate the case where cedant is in a third country.	Partially agreed. For reinsurer, management actions have to be considered such as "policyholder behaviour"
11	IE S2 Group	General comment	The paper only contemplates the future management action of the **undertaking**. For reinsurance undertakings the liability value may also depend on the future management action of the cedant. It will not be possible for the reinsurance undertaking to obtain the actual management plan as per 3.13 – 3.14. CEIOPS advice does not contemplate how a reinsurer should take account of future management actions of a cedant; it should and, in doing so, should also contemplate the case where	Partially agreed. For reinsurer, management actions have to be considered such as "policyholder behaviour"

			cedant is in a third country.	
12	CRO	General comment	The CRO-Forum strongly supports the allowance for management actions in the calculation of the best estimate and required capital, as this is essential to a risk-based economic approach. As a general comment, we would like to recall that management actions are a primary component of risk mitigation. The assessment process of management actions assumptions should be more principle based than parameter based. The analysis of assumptions about management actions should be done taking into account the way the company is run and the way management actions are modeled for on-going risk management. A parameter-by-parameter validation approach could prove to be un-realistic and unjustifiably burdensome. Also, in practice, the assumptions about future management actions are more likely to relate to life operations rather than non-life, because of the interactions between life assets and technical liabilities and the long term nature of the contracts. We do not believe a closed list of permissible actions is appropriate but we would welcome more clarity on the definition and scope of "future management actions". On permissible future management actions the CRO Forum believes dynamic heding strategies should be allowed, subject to the principles set out in the paper. We welcome the recognition of well understood management actions in the calculation of the MVL and the SCR as a legitimate form of risk management. Well understood management actions may be evidenced	Noted. Noted. Noted. Disagreed. Management actions cannot be taken into account over the course of the scenario.

			by rules, historical management practice, market practice, policyholder communications or substantive senior management analysis. The CRO Forum strongly reaffirms that well-understood management actions should be allowed over the course of the scenario, which implies that benefits from dynamic asset management strategies (e.g. delta hedging) should be taken into account.	
13	Legal and General	CEIOPS advice (blue text) general comments	We support these but are concerned that the application of them, in a consistent manner, by regulators may prove difficult. In particular firms' approach to management actions are likely to be "high" level and the actual details of the action will only emerge when the trigger event occurs and therefore there does need to be flexibility by regulators when " assessing" the implementation of the criteria. In practice the actual timing of a trigger may not be an exact science and this needs to be reflected in the regulator's guidance. A further issue may be that as there are likely to be level 3 guidance firms may have insufficient time to develop as detailed a documentary process as required.	Agree. Further Level 3 guidance.
14	XL	General comment	Many of the kinds of management action referenced most naturally relate to life insurance business rather than non life insurance business (e.g. bonus rates, product changes, policyholder expectations). Effective modelling of management actions depends on clearly determined principles, including a management strategy that should be consistent with the business plan, and with a sufficient level of quantitative detail e.g. maximum of x% of free assets in equities.	Noted.

15	GC	General comment	The requirements are not unreasonable but they will be very demanding in particular for smaller companies. Although, in general, the paper gives a clear criteria for the inclusion of management actions in the valuation of the technical provision this paper is too generic. The principles highlighted are sufficient but it feels as if an objective and realistic choice of management actions cannot be achieved by these principles, therefore we would expect further guidelines in level 3 and/or in technical standards in terms of CP33. The paper doesn't discuss the types of management actions which are expected to be used. Although we believe that the assumptions will vary widely across Europe and will depend on company strategy and market practices, we would expect the level 3 guidance and/or technical standards to include examples to clarify areas where future management actions are required and where implementation may be taken into account. The standard formula cannot offer a full scope of management actions whereas an internal model could provide it. But the modelling of future management actions has to take place in the standard model, under consideration of the limited possibilities that the standard model provides. Certain management rules (e.g. the shareholder participation after stress) can be modelled adequately in the standard approach. However, the liabilities have to be considered adequately. The advice on management actions should be more compressed and	Agreed. There will be included examples in the text.

			concentrated on essential features. In general "realism" should be replaced by "reasonable".	
16	PwC	General comment	We do not have any detailed comments or concerns on this Consultation Paper. In overview we find the recommendations to be both appropriate and largely as expected. We note that the documentation requirements in this area may be challenging however this is appropriate if management are to take credit for a particular management action in valuing their technical provisions. The documentation would need to demonstrate that any judgment is based on sound and rational argument and that it is consistent with and aligned to their risk appetite, risk policies and decision making process.	Noted.
17	UNESPA	General Comments	We consider that the proposal in this CP on circumstances in which insurance undertakings can take possible future management actions into account in the calculation of technical provisions, whilst somewhat more detailed about the requirements for taking such actions into account, is still very general. In our opinion, greater detail and guidance, with general principles and clearer examples, is required (without prejudice to evaluation of which future management actions are most appropriate for each undertaking being made on an undertaking by undertaking basis, as some example actions from the catalogue might be appropriate for one undertaking but not for another).	Agreed. There will be included examples in the text.

			Furthermore, it should be clarified that the possibility of taking potential future management actions into account in the calculation of technical provisions is a decision to be made by the insurance undertaking. To this end, the Consultation Paper should state “may take into consideration” instead of “should take into consideration”. The principle of proportionality should be considered in adapting requirements for being able to take potential future management actions into account. In this sense, we consider some of the requirements for demonstrating that the hypotheses are objective, realistic and verifiable are two strict (for example, the algorithm requirements, the difficulty in many cases in demonstrating that the hypotheses can be verified, etc.)	
18	ABI	General comment	The ABI strongly supports the allowance for management actions in the calculation of the best estimate and required capital, as this is essential to a risk-based economic approach. We would welcome more clarity on the definition and scope of “future management actions”. We do not believe a closed list of permissible actions is appropriate but we would be interested to know if all types of hedging would be considered future management actions. We believe it will be of great importance when implementing the level 2 measures on future management actions to avoid a mechanical application of the requirements and allow for some flexibility when interpreting CEIOPS’ guidance. In particular,	Noted.

			a. Management actions are a primary component of risk mitigation. Therefore, we strongly believe the assessment process of management actions assumptions should be more principle based than parameter based. The analysis of assumptions about management actions should be done taking into account the way the company is run and the way management actions are modelled for on-going risk management. Therefore we understand the need for a high level approach as taken by CEIOPS in this paper but would welcome further advice at level 3. b. There needs to be flexibility in the way management actions can be documented because trigger points and algorithms may sometimes need to be expressed in terms of broad principles and processes e.g. on a with profits fund bonus rates and payouts may be managed in line with asset shares adjusted for smoothing - in this example the trigger and algorithm is not a single or multiple set of points but a continuum reflecting the dynamic impact on asset shares of the unfolding experience of the with profit fund. c. There should also be flexibility when implementing the management actions planned: they should not be considered as a full commitment and it should be possible to adjust them if circumstances change, on the basis for example of scenarios and reasonable chain of actions. Boards should not need to sign off on every management decision although we recognise ultimate board responsibility is an embedded part of Solvency II. Application of	Agreed. Further level 3 guidance. Noted. Noted.

			the advice in this way would be excessive, and might delay or hinder companies' ability to react quickly to amend their management approach. Great care will also be needed in developing any 'objectivity' and 'realism' criteria as this may unduly fetter appropriate management actions. It is also our view that assumptions about future management actions should take into account the following: d. Experience: has the undertaking or a competitor already done it or is it a brave assumption? The distinction between well understood and speculative future management actions should be taken into account as well understood management actions may be evidenced by rules, historical management practice, market practice, policyholder communications or substantive senior management analysis. The value of liabilities should only be affected by well understood management actions. e. Scope: is it a one off firm affected or does it concern the whole market? We would also point out that for General Insurance business, considering all conceivable future actions, when looking a long time into the future could be quite onerous. This is especially true given that some future actions might be dependent on other future actions taken before it; the further one looks into the future, the greater the number of permutations of future actions there could be – and	Noted.

			therefore the greater the burden on firms. Finally, supervisors will need to be reasonable in assessing tests for objectivity, realism and verifiability.	
19	KPMG	General comment	QIS4 assumptions on management actions were considered indicative but not comprehensive or useful. In particular, in the calculation of the SCR as described in the QIS4 specifications, participating (re)insurance undertakings could not take account of any actions that might be taken during the course of an adverse scenario. Owing to the hypothetical nature of the (re)insurance undertaking's future behaviour, the verification of an appropriate choice of management actions may not, in all circumstances, be possible for the supervisor if it is based only on the short list of verifiability mechanisms listed in the Directive. Further guidance should be developed at Level 3 in order to improve the consistency of approaches within and between Member States. We support the requirement that the approach to management actions should be documented. We believe that firms should look forward to establish potential situations that could occur and the financial impact of these and consider what management actions could be implemented in these situations. However, we also recognise that in many circumstances a range of approaches might be required and the actual responses will depend on the actual situation that is being managed. Management actions taken at a particular point in time are based on a	Agreed. Further level 3 guidance.

			complex set of judgements which take into account all the relevant information available at the time. It would not be feasible that a model will be able to capture this. The framework should recognise this. There is no guidance as to how the criteria of verifiability may be satisfied for new products or new situations. Significant changes in the operating environment can invalidate the experience from the past. It is unclear how quantification of management actions as noted in paragraph 3.35 would verify a management action. Further clarity should be provided as to how management actions can be included within the standard formula approach.	
20	CFO	General comment	The CFO Forum commends CEIOPS on this consultation paper, which generally provides appropriate advice with regard to the use of management actions in the assessment of the technical provisions by stating that future management actions should take into account potential future actions whether these actions are contractual or discretionary in nature. The CFO Forum supports the framework proposed in this paper, which identifies the circumstances in which it is appropriate for undertaking to take account of future management actions in the calculation of their technical provisions. We note that the CRO Forum will provide more detailed comments.	Noted.
21	Institut des actuaires	General comment	Institut des actuaries is keen on commenting the Consultation 32-09 in addition to the Groupe consultatif answer. Institut des actuaires agrees with the approach proposed by CEIOPS in this Consultation Paper, in particular the objective of quality of the	Noted.

			future management actions (Objectivity, Realism, Verifiability). However Institut des actuaires insists on the difficulties to obtain these objectives for certain lines of business (i.e. Best Estimate for with profit saving insurance in France) Institut des actuaires proposes to mention the key role that the actuarial function could provide from its independence and from its ability to understand all effects of assumptions on SCR and on Best estimate calculation.	
22	Oliver Wyman	General comment	Overall, we find that this consultation paper adequately describes the qualities that assumed management actions should have in order to be accounted for in the valuation of best estimate liabilities. From our perspective the three criteria (objectivity, realism and verifiability) set forth in this consultation paper represent the core qualities required. Hence, we agree with scope and overall content and philosophy of this consultation paper and our comments address relatively specific content aspects.	Noted.
23	DAV	General comment	The standard approach can not comprise all management actions but the management actions which are implemented for the standard approach have to fullfill the requirements. In general “realism” should be replaced by “reasonable”.	Disagreed. “Reasonable” gives higher degree of freedom and is more subjective then “realism”
24	CEA	Key comments	**Flexibility and judgment is essential in the modelling of management actions** - For the purposes of calculating Best Estimates and the SCR it is important to have an understanding of the management actions that the insurer is expecting to use, however these should not overwrite the reactions of the insurer under exact	Noted.

			scenarios where the protection of the policyholder and the ongoing viability of the insurer are important considerations. The insurer may have to react to each situation in an ad-hoc manner and this should not be restricted by the assumptions that it has used in determining its Best Estimates. Furthermore, it is important that management actions are defined in terms of principles only. Algorithms can be useful in terms of modelling but an over-reliance could be dangerous. Algorithms should be under regular review and it should be possible to amend these without excessive controls. It is also essential that insurers are able to apply proportionality in the use of management actions. In particular, the modelling of management actions should be weighed against the expense of setting up systems and the effect on capital requirements. Finally, it may not be appropriate to require the Board to sign off all management actions used in the best estimate calculations and particularly not the case that the Board should approve mathematical algorithms.	
25	CEA	General Comments	**Management actions should be considered in the context of governance and risk management** – The paper doesn't sufficiently capture the links between the management actions assumed in the calculation of technical provisions and the issue of governance and risk management. A key consideration should be how the management actions are integrated in their risk management processes, i.e. how does the (re)insurer manage their risk and what does their risk management process assume would be the action taken under certain	Disagreed. Management actions are connected but not identified in governance system or risk management.

			scenarios. **Links to other CPs** - It is important to consider this topic in line with the requirements for best estimate methods (CP26) and governance issues (CP33). The links to CP26 and CP33 need to be taken into account in this CP. **Dynamic hedging strategies should be fully reflected in management actions** - If an undertaking uses dynamic hedging strategies, it is important that these are taken into account in the assumed management actions of the undertaking. There should not be a requirement to consider only those assets which are currently held under the hedging strategies. Rather, if the management plans to roll-forward these strategies then they should be taken into account in the Technical Provisions. Please see our comments on this issue in CP 31. **The scope of the effect of future scenarios may affect the management actions used by the undertaking** – The response of an undertaking to a particular future event may differ depending on whether this event hits the individual undertaking only or whether it hits the whole market at once. In particular, competitive considerations would be different in each case. This does not appear to be explicitly considered in this paper.	Disagreed. Management actions cannot be taken into account over the course of the scenario.
26	FFSA	Para 3.2	The FFSA emphasizes that some notions mentioned in the paragraph are not clearly defined and might lead to a misunderstanding in their interpretation. This comment relates to the following sentences:	Agreed. The sentence will be deleted from the advice text.

			1. "*The assumptions used to project the cash-flows should reflect the actions that management would reasonably expect to carry out in the circumstances of each scenario over the duration of the projection, for example changes in asset allocation, changes in bonus rates or product changes, or **the way in which a market value adjustment is applied**.*" The FFSA does not understand what is meant by "*the way in which a market value adjustment is applied*" and would therefore like to get more explanations about the implication of this statement. 2. "*In considering the reasonableness of projected management actions, (re)insurance undertakings should consider their obligations to policyholders, whether through policy wordings, marketing literature or other statements that give rise to **policyholder expectations** of how management will run the business.*" The FFSA suggests that the meaning of "*policyholder expectations*" shall be detailed. Furthermore, the FFSA insists on the fact that the main policyholder expectation should be the "Minimum Guaranteed rate". The FFSA underlines that, as part of the projection of management actions and with a view to respecting the policyholder expectations, (re)insurance undertakings also	

			take into account estimates for future surrenders. The FFSA does not see any "other statements" that could restrain the projection assumptions. Could the CEIOPS be more precise?	
27	IUAL	Para 3.2	We support the general principles outlined, though are a little uncertain on how 'policyholder expectation' would be defined and applied in different Member States. For certainty, and to engender a common supervisor application, it may be worth expanding on this in finalised advice.	Agreed. The sentence will be deleted from the advice text.
28	GC	Para 3.2	It should be made clearer that the aim of the valuation is not a valuation of the liabilities according to policyholders' reasonable expectations, but rather that policyholders expectations should be considered when assessing the reasonableness. We believe in adding to "policyholder expectations" the phrase "if relevant".	Agreed. The sentence will be deleted from the advice text.
29	CEA	Para 3.2	The CEA strongly supports the allowance for management actions in the calculation of best estimate liabilities and capital amounts as this is essential in a risk based economic approach. **"Market value adjustments" are not clearly defined** – This term is only used in some Member States. Therefore, its use may lead to misunderstanding. ⇨ The CEA would request more explanation of the statement "the	Agreed. The sentence will be deleted from the advice text.

			way in which a market value adjustment is applied”. **“Policyholder expectations” are not clearly defined** –In some Member States this term could have varying interpretations. ⇨ The CEA would request clarification of the term “policyholder expectations”.	
30	Oliver Wyman	Para 3.2 Para 3.16 Para 3.30 Para 3.31 Para 3.32	In addition to the considerations listed in these paragraphs, management action assumptions should consider the (re)insurance undertaking’s management of its franchise value. In practice, management actions should not only reflect policyholder expectations but should also consider shareholder expectations. This additional consideration may be implicit in Paragraph 3.30, however we believe that for avoidance of doubt it could be specified more clearly. An example of a situation where such considerations may come into play is the design of bonus assumptions for with-profits funds. Such assumptions should not only meet explicit promises made to policyholders but should also reflect how a (re)insurer would defend or enhance its franchise value through periods of particularly positive or adverse market conditions. For example, if a (re)insurer would be likely to continue to allocate large bonuses through difficult market conditions in an effort to sustain new business sales and maintain a positive brand image, such a policy should be reflected in assumptions about future management actions.	Noted.
31	CRO	Para 3.3	*“Where participants have the right to increase charges on unit-linked and index-linked business, assumptions on increased charging should*	Disagreed.

			be consistent with the general principles for management actions." The ability to review premiums on contracts other than unit linked and index linked should also be recognised. There are other circumstances where charges/premiums can be modified.	
32	CEA	Para 3.3	**Changing charges on unit-linked or index-linked business is too narrow a definition for management actions** - The ability to allow for management actions should apply to all types of insurance business, not just unit linked or index-linked business e.g. it should also apply to universal life business, reviewable term assurance business and some reinsurance contracts.	Disagreed.
33	ABI	Paras 3.3 and 3.4	We would delete para 3.3 as the perspective here is too narrow. The ability to allow for management actions should apply to all types of insurance business, not just unit linked or index-linked business e.g. it should also apply to universal life business, reviewable term assurance business and some reinsurance contracts. The reference to QIS 4 in para 3.4, which is more generic, is more appropriate and should be sufficient.	Disagreed.
34	AVIVA	3.6	The restriction applied in paragraph 3.6 is not realistic and not consistent with paragraph 3.4. For example two companies, one with dynamic hedging and one without it, will require the same SCR when in fact the second one would face more risk than the first. We are expecting some clarification on this issue. Furthermore, we consider that not allowing for dynamic hedging with	Noted.

			rebalancing trades on a daily basis would contradict the stated intention of the standard formula SCR representing a 1 year VAR measure. If dynamic hedging were not to be allowed for, for consistency the equity stress would need to be calibrated to the potential fall in equity markets in 1 day.	
35	FFSA	Para 3.6	The FFSA highlights that the sentence "*[(re)insurance undertakings] could not take account of any actions that might be taken during the course of the adverse scenario*" induces a lack of reactivity from these undertakings if an adverse scenario effectively occurs.	Noted.
36	Deloitte	Para.3.6	While we believe that stress tests should not allow for management actions taken <u>at the time</u> of the instantaneous shock, we believe that those that can be evidenced, such as dynamic hedging, should be taken into account <u>after</u> the instantaneous shock (i.e. the adverse scenario is mitigated at t+1). In respect of the above, we note that the assessment of operational risk should take into account scenarios of failure of the dynamic hedge.	Disagreed. Management actions cannot be taken into account over the course of the scenario.
37	CEA	Para 3.6	**Management actions should be allowed over the course of the scenario** - The CEA believes that management actions should include all possible actions, including those relating to asset management strategy. The CEA disagreed with the treatment in QIS4 to disallow actions taken over the course of the scenario. The CEA is pleased to see that CEIOPS' advice in Para 3.25-3.36 does not include this disallowance. However, the CEA is concerned by the statement made in Para 3.25 of CP31 that the change in financial conditions should be assumed to occur instantaneously for the purposes of calculating the	Disagreed. Management actions cannot be taken into account over the course of the scenario.

			SCR, which effectively excludes any benefits from dynamic asset management strategies (e.g. delta hedging) and results in a stress more onerous than the 99.5th 1-year criteria (as it is applied instantaneously rather than over 1 year). Furthermore, this assumes that undertakings have a lack of reactivity and it could result in certain products, such as variable annuity products, being unnecessarily expensive or unattractive. This would especially be the case if this approach were to apply to internal models as well as the standard approach. ⇨ The CEA suggests that the paper makes it clear under the Level 2 implementing measures that companies should be allowed to assume management actions can be taken over the course of the scenario.	
38	CRO	Para 3.25 & 3.6	*3.25: "The methods and techniques should take into account of potential future actions whether these actions are contractual or discretionary in nature"* *3.6: "However, they could not take account of any actions that might be taken during the course of the adverse scenario"* The CRO Forum disagrees with the position expressed in para 3.6, and strongly reaffirms that management actions should be allowed over the course of the scenario. The CRO Forum is concerned that an instantaneous shock (e.g. the postulated 32 % fall in equities) effectively excludes any benefit from dynamic hedging, whilst not being	Disagreed. Management actions cannot be taken into account over the course of the scenario.

			the more realistic adverse scenario (rather lesser shocks spread over a short period) and constituting a more stringent stress than a 99,5 % 1-year criterion.	
39	GC	3.6	However, they could not take account of any actions that might be taken during the course of the adverse scenario (eg. the postulated 32% fall in equities) as explained in TS.VII.B.6 (see below): "TS.VII.B.6: The allowance for risk mitigating effects in the standard formula SCR is restricted to instruments and excludes processes and controls the firm has in place to manage the investment risk. For example, where a firm has a dynamic investment strategy (for example, deltahedging or cash-flow matching), a firm should calculate the capital charge assuming that they continue to hold their current assets during the change in financial conditions i.e. the change in financial conditions should be treated as being an instantaneous shock)."	Disagreed. Management actions cannot be taken into account over the course of the scenario.
40	ABI	Para 3.6	The ABI believes that well-understood management actions should be allowed over the course of the scenario, which implies that benefits from dynamic asset management strategies (e.g. delta hedging) should be taken into account. Furthermore, this assumes that undertakings have a lack of reactivity and it could result in certain products, such as variable annuity products, being unnecessarily expensive or unattractive. This would especially be the case if this approach were to apply to internal models as well as the standard approach.	Disagreed. Management actions cannot be taken into account over the course of the scenario.

			We would therefore suggest that the paper makes it clear under the Level 2 implementing measures that companies should be allowed to assume management actions can be taken over the course of the scenario. We also believe the restriction applied in paragraph 3.6 is not realistic and not consistent with paragraph 3.4. For example two companies, one with dynamic hedging and one without it, will require the same SCR when in fact the second one would face more risk than the first. We would expect some clarification on this issue. Furthermore, we consider that not allowing for dynamic hedging with rebalancing trades on a daily basis would contradict the stated intention of the standard formula SCR representing a 1-year VAR measure. If dynamic hedging were not to be allowed for, for consistency the equity stress would need to be calibrated to the potential fall in equity markets in 1 day.	
41	AVIVA	3.7	Under QIS4, where the SCR component was calculated using a factor based approach (e.g for credit risk) it was not possible to take account of management actions. Given that Future Management actions are part of the technical provisions, from a group perspective, we believe that Internal Models and Standard Approach should be consistent and follow a similar definition of future management actions. Therefore we will expect some improvement in the standard formula to take into account all management actions considered in the internal model. A particular example of an improvement in the standard formula could	Disagreed. In this case management actions cannot be taken into account.

			be that currently SCRop does not permit an offset for management actions, even if there is a scheme of arrangement which permits such losses to be offset by a reduction in policyholder benefits.	
42	Deloitte	Para. 3.7	We agree with the principle that where the SCR is calculated using a factor based approach, it is not possible to take into account management actions.	Noted.
43	ABI	Para 3.7	Under QIS4, where the SCR component was calculated using a factor based approach (e.g for credit risk) it was not possible to take account of management actions. A particular example of an improvement in the standard formula could be that currently SCR operational risk module does not permit an offset for management actions, even if there is a scheme of arrangement which permits such losses to be offset by a reduction in policyholder benefits.	Disagreed. In this case management actions cannot be taken into account.
44	XL	3.8	Insufficiently concrete examples were provided in the QIS 4 exercise for CEIOPS to provide further advice on how to model management actions in practice.	Noted.
45	Munich Re	Para 3.9/ 3.25	Concerning management actions that should be taken into account there should be a clear reference to the system of governance (CP 33). Only management actions, which can be seen in the context of the governance and risk management might be considered in the case they fulfil the requirements.	Disagreed. Management actions are connected but not identified in governance system or risk management.
46	IUAL	Para 3.9	We strongly support the principle of allowing for future management actions in the assessment of future cash flows. However, it would be	Partially agreed. Undertakings should consider the

			potentially difficult, perhaps even unrealistic, for a (re)insurer to incorporate all potential future actions particularly where internal models are not used. Even where they are used this could be challenging. Therefore, it may be preferable to qualify this requirement and give (re)insurers scope to include specified likely management actions within their assumptions.	effects on future cash-flows due to all relevant management actions.
47	GDV	Para 3.9	The allowance for management actions should be subject to proportionality. Often allowing for management actions would be expected to reduce the Technical Provisions. As such, there should be flexibility surrounding the requirement to allow for them and in turn to develop complex calculation systems, especially if simpler alternative calculations methods could give acceptably accurate results. Furthermore, when a (re)insurer is allowing for management actions, a decision to include all possible future management actions in the model could be overly ambitious. ⇨ The GDV suggests that "*need to take account*" is changed to "*may take account*".	Agreed. The advice text will be changed.
48	CEA	Para 3.9	**The allowance for management actions should be subject to proportionality** - Often allowing for management actions would be expected to reduce the Technical Provisions. As such, there should be flexibility surrounding the requirement to allow for them and in turn to develop complex calculation systems, especially if simpler alternative calculations methods could give acceptably accurate results. Furthermore, when a (re)insurer is allowing for management actions, a decision to include **all** possible future management actions in the	Agreed. The advice text will be changed.

			model could be overly ambitious. ⇨ The CEA suggests that "*need to take account*" is changed to "*may take account*".	
49	XL	3.9 -3.24	The three principles of Objectivity, Realism and verifiability appear reasonable – essentially ensuring that the contingent actions are rationale and consistent.	Noted.
50	UNESPA	Para 3.9 and 3.25	Companies should not be forced to allow for management actions. We suggest that "*should take account*" is changed to "*may take account*".	Agreed. The advice text will be changed.
51	ABI	Para 3.9	We strongly support the principle of allowing for future management actions in the assessment of future cash flows. However, it would be potentially difficult, perhaps even unrealistic, for a (re)insurer to incorporate all potential future actions particularly where internal models are not used. Even where they are used this could be challenging. Therefore, it may be preferable to qualify this requirement and give (re)insurers scope to include specified likely management actions within their assumptions.	Partially agreed. Undertakings should consider the effects on future cash-flows due to all relevant management actions.
52	GDV	Para 3.10	In line with our comments to Para 3.9 above: ⇨ Suggest that "*analytical or deterministic approaches should take account*" is changed to "*analytical or deterministic approaches may also take account*".	Agreed. The advice text will be changed.
53	CEA	Para 3.10	In line with our comments to Para 3.9 above:	Agreed.

			⇨ Suggest that "*analytical or deterministic approaches should take account*" is changed to "*analytical or deterministic approaches may also take account*".	The advice text will be changed.
54	GC	3.11	Excluding processes and controls the firm has in place to manage investment risks does not seem reasonable. First of all, it will be difficult to distinguish processes and controls which are in place to manage investment risk from other processes and controls. Secondly, not allowing all processes and controls implies a deviation from an economic approach. Thirdly, it gives incentives to the insurer to use derivatives instead of for example CPPI's to reduce financial risks, although CPPIs could be more cost efficient in certain situations. For some risks financial instruments might not even be available and hence good processes and controls are the only available alternative and insurers should be given incentives to get these processes and controls in place. The basis risks will in many cases include policyholder characteristics, such as actual mortality rates, and policyholder behaviour. Transfers and surrender are often major risks and it is unclear how and to what extent these should be included in the basis risk or not. Many financial instruments are very sensitive to parameters which are subjectively set or based on limited amount of data. Especially, the uncertainty in the parameter estimates can be very large. Therefore, prudent basis risk estimation at 99,5 % confidence level would show that many financial instrument are very inefficient in reducing risks. Cross-industry harmonisation on how parameter uncertainty should be considered is therefore very important.	Noted.

			Due to the importance of financial risks for many insurers, both large and small, allowance should be possible without having to use internal models. This would also minimize the problem of having to distinguish between processes and controls in place for financial risk management purposes and other purposes.	
55	IUAL	Para 3.12	We support the objectivity, realism and verifiability requirements for assumed management actions. However, we would qualify this with our general comments on adopting a proportionate approach.	Noted.
56	GDV	Para 3.12	In line with our comments to Para 3.9 above: ⇨ Suggest "*which should*" is changed to "*which may*". The principle of proportionality needs to be taken into account in the allowance for management actions - The GDV agrees with the general approach, i.e. that management actions should be objective, realistic and verifiable subject to this being applied in a proportionate manner.	Agreed. The advice text will be changed. Noted.
57	CEA	Para 3.12	In line with our comments to Para 3.9 above: ⇨ Suggest "*which should*" is changed to "*which may*". **The principle of proportionality needs to be taken into account in the allowance for management actions** - The CEA agrees with the general approach, i.e. that management actions should be objective, realistic and verifiable subject to this being applied in a	Agreed. The advice text will be changed. Noted.

			proportionate manner.	
58	Munich Re	Para 3.13/ 3.27	**Objectivity**: We agree that there should be clear trigger points when and how management actions will be applied. However, the term "algorithm" might be misleading in this context. There might be processes predefined, when and how management actions will be applied, but still there are decisions to be made, that cannot be kind of "calculated" in advance. We do support the documentation of the used management actions. The parameters used to calibrate the future management actions have to be documented and justified in accordance to governance and risk management requirements. Also the order of exercise of the future management actions has to be described as the order of application has an influence on the outcome. To cover all scenarios that might be effected by future management actions leads to extremely high workload, although the effect of the management actions on the evaluation might be very low. Therefore we recommend to concentrate only on the most relevant scenarios, which means to apply the principles of proportionality.	Noted. Agreed. It will be introduced in the text the order of exercise. Noted.
59	IUAL	Para 3.13 / 3.27	Management actions should be objective and include clear trigger points. However, in line with adopting a flexible approach for (re)insurers, we would favour outlining that <u>any</u> management actions should have a clear rationale and be suitably documented, rather than specifically referring to algorithms. It may be that, in specific circumstances, a strictly algorithmic approach may not be as suitable as other management processes. Referring to any management	Agreed. The advice text will be changed

			actions or processes would be preferable. We would also question exactly how 'objectivity' would be applied in practice - examples of appropriate practice would be useful.	
60	GC	3.13	The parameters used to calibrate the future management actions have to be documented and justified. The order of exercise of the future management actions has to be described.	Agreed. It will be introduced in the text the order of exercise.
61	UNESPA	Para 3.13, 3.14, 3.27 and 3.28	Regarding objectivity of the management actions, it is not always straightforward what actions the company may take. The company may have a rough idea of what management actions would be taken under certain circumstances and a rough idea of what would be the triggers that would activate these management actions, but it will be very difficult that the company has a clear view on all the details of the management actions that would be implemented. To this extent, CP 32 does not precise what level of detail of assumptions on management actions is required nor what level of evidence of past experience must be provided. This leaves supervisor too much room to disagree with the assumptions. Required justification is not detailed enough, leaving room to Supervisor for discretion when concluding on reliability of management actions assumptions	Agreed. The advice text will be changed. Disagree. The supervisors will decide

				adequacy or not.
62	ABI	Para 3.13	**Objectivity needs to be balanced with flexibility, algorithms may not be required** - We agree that management actions should be objective, i.e. it should be clear what actions would be taken and when. Having quantitative trigger points and processes can be a good way of achieving this, especially when incorporating them into computer systems used to calculate the Best Estimate liability. Furthermore, we note that the phrase "algorithm" could lead to the expectation of a very mathematical approach and as such would request that this was replaced with "processes" or "procedures". However, the ABI does not agree that this will necessarily be the case. It may also be sensible to have some flexibility regarding the action, as it is impossible to anticipate in advance exactly the conditions under which the action is taken. The ABI suggests that this criterion should require it to be clear what the management action is and when it would be taken, with it being noted that defining trigger points and processes in many cases helps achieve this. Lastly, we are concerned that the requirements around the "objectivity" criteria might be too constraining. It would be helpful to have examples in this respect. ⇨ The ABI would request that the text was adjusted as follows: "The first criterion implies that for the purpose of the calculation of the best estimate, the (re)insurance undertaking should define *what management actions will be taken and when each would be taken. In this regard,* hav*ing* some clear trigger points	Agreed. The advice text will be changed.

			and *procedures* showing when and how management actions might be applied by (re)insurance undertakings *will help achieve this*. All such triggers and *procedures* should have a clear rationale and should be suitably documented. Th*e* *management actions* will need to cover all scenarios which are relevant for the initial valuation and the recalculation of the best estimate." ⇨ The ABI would request that examples are provided of how the "objectivity" criteria would work in practice.	
63	CEA	Para 3.13/3.27	**Objectivity needs to be balanced with flexibility, algorithms may not be required** - The CEA agrees that management actions should be objective, i.e. it should be clear what actions would be taken and when. Having quantitative trigger points and processes can be a good way of achieving this, especially when incorporating them into computer systems used to calculate the Best Estimate liability. Furthermore, we note that the phrase "algorithm" could lead to the expectation of a very mathematical approach and as such would request that this was replaced with "processes" or "procedures". However, the CEA does not agree that this will necessarily be the case. It may also be sensible to have some flexibility regarding the action as it is impossible to anticipate in advance exactly the conditions under which the action is taken. The CEA suggests that this criterion should require it to be clear what the management action is and when it would be taken, with it being noted that defining trigger points and processes in many cases helps achieve this.	Agreed. The advice text will be changed.

			Lastly, we are concerned that the requirements around the "objectivity" criteria might be too constraining. It would be helpful to have examples in this respect. ⇨ The CEA would request that the text was adjusted as follows: "The first criterion implies that for the purpose of the calculation of the best estimate, the (re)insurance undertaking should define *what management actions will be taken and when each would be taken. In this regard,* hav*ing* some clear trigger points and *procedures* showing when and how management actions might be applied by (re)insurance undertakings *will help achieve this*. All such triggers and *procedures* should have a clear rationale and should be suitably documented. The *management actions* will need to cover all scenarios which are relevant for the initial valuation and the recalculation of the best estimate." ⇨ The CEA would request that examples are provided of how the "objectivity" criteria would work in practice.	
64	Munich Re	Para 3.14/ 3.28	We agree that there are documentations requirements needed. However, these requirements should be connected to the requirements for governance and risk management. It should be clarified whether the management (para 3.14) or the board – with the possibility of delegation - (para 3.28) has to sign-off.	Disagreed. Agreed.

				The advice text will be changed.
65	IUAL	Para 3.14 /3.28	In line with expected corporate governance we support the maintenance of a comprehensive plan which may be expected to be used. With regard to sign-off from management, we would support the Board approving high-level principles, which would form the basis for the detailed comprehensive plan and possible algorithms therein. This approach reflects the key role of the Board in providing a strategic steer for the company whilst monitoring management activity. It would be inappropriate and disproportionate for the Board to consider each management action for specific approval.	Disagreed. The Board has to sign-off all the documents/actions mentioned.
66	GDV	Para 3.14 / 3.28	Proportionality should apply in documentation and signing off, the board should agree general principles only for management actions - The GDV agrees that management actions need to be documented and signed off, however, the extent of this should be subject to proportionality. This proportionate response must be in line with the governance structure. The GDV is concerned that the criteria expressed here could be too constraining and onerous as it is likely to be inappropriate and unrealistic to require the Board to review and sign-off management actions at a low level of granularity. In particular it is unlikely to be appropriate to require the Board to review mathematical algorithms. Furthermore, it would be helpful to have examples of what would and would not be acceptable. For example, a pragmatic and efficient approach might be for the Board to agree general principles for	Disagreed. The Board has to sign-off all the documents/actions mentioned.

			significant management actions with detailed implementation and sign-off being delegated to appropriate management. There should be a clear segregation of roles and responsibilities and processes in place, e.g.: ■ Who does the calculation of any relevant triggers? ■ Who has to be informed if the triggers are activated? ■ Who has to decide on how to respond once the triggers are activated? ⇨ The GDV would request the following addition to this paragraph: "*Proportionality should apply in the requirements for documentation and sign-off of management actions. The Board should only be required to sign-off high level principles, with less senior management signing-off trigger points and algorithms.*" ⇨ The GDV would request examples of what would be appropriate are included in this paragraph.	
			Inconsistencies in the paper - We should also note that Para 3.28 requires the Board or delegated sub-committee to sign-off on each point whereas Para 3.14 requires the sign-off from the management. ⇨ The GDV requests that the requirement is clarified and is consistent throughout the paper.	Agreed. The advice text will be changed.

67	DIMA	3.14	In a reinsurance context the reinsurer's liability may be dependent on management action taken by the cedant. Some simple examples would be: • A quota share reinsurance of a participating contract. The insurer's management action can have a big impact on the liabilities of the reinsurer who is bound to "follow the fortunes" of the insurer. • A term assurance contract may be reinsured on the rates offered by the insurer. If mortality worsens, the reinsurer might reasonably expect the insurer to increase the rates it charges to policyholders. In both cases the reinsurer expects the cedant to take sensible future management action. However, as the CEIOPS advice is currently drafted, the reinsurer would not be able to reflect the actions of the cedant. The reinsurer will NOT have details of the insurer's management action plan, so based on the current draft of the guidance, the reinsurer would NOT be able to reflect management action in the reserves. This is likely to give situations where the reinsurer is holding larger reserves than the insurer for the same block of business.	Partially agreed. For reinsurer, management actions have to be considered such as "policyholder behaviour"
68	IE S2 Group	3.14	In a reinsurance context the reinsurer's liability may be dependent on management action taken by the cedant. Some simple examples would be:	Partially agreed. For reinsurer, management actions have to be considered

			• A quota share reinsurance of a participating contract. The insurers management action can have a big impact on the liabilities of the reinsurer who is bound to "follow the fortunes" of the insurer. • A term assurance contract may be reinsured on the rates offered by the insurer. If mortality worsens the reinsurer might reasonably expect the insurer to increase the rates it charges to policyholders. In both cases the reinsurer expects the cedant to take sensible future management action. However as the CEIOPS advice is currently drafted, the reinsurer would not be able to reflect the actions of the cedant. The reinsurer will NOT have details of the insurers' management action plan, so based on the current draft of the guidance, the reinsurer would NOT be able to reflect management action in the reserves. This is likely to give situations where the reinsurer is holding larger reserves than the insurer for the same block of business.	such as "policyholder behaviour"
69	ABI	Para 3.14	Proportionality should apply in documentation and signing off, the board should agree only general principles for significant management actions. We agree that management actions need to be documented and signed off. The extent of this should be subject to proportionality. While agreeing to the general concept of objectivity, we are concerned that the criteria expressed here could be too constraining and onerous. It would be helpful to have examples of what would and would not be	Disagreed. The Board has to sign-off all the documents/actions mentioned.

			acceptable. The sign-off process should be captured under the wider governance aspects. For example, a pragmatic and efficient approach might be for the Board to agree general principles for significant management actions with detailed implementation and sign-off being delegated to appropriate management.	
70	CEA	Para 3.14/3.28	**Proportionality should apply in documentation and signing off, the board should agree general principles only for management actions** - The CEA agrees that management actions need to be documented and signed off, however, the extent of this should be subject to proportionality. This proportionate response must be in line with the governance structure. The CEA is concerned that the criteria expressed here could be too constraining and onerous as it is likely to be inappropriate and unrealistic to require the Board to review and sign-off management actions at a low level of granularity. In particular it is unlikely to be appropriate to require the Board to review mathematical algorithms. Furthermore, it would be helpful to have examples of what would and would not be acceptable. For example, a pragmatic and efficient approach might be for the Board to agree general principles for significant management actions with detailed implementation and sign-off being delegated to appropriate management. There should be a clear segregation of roles and responsibilities and processes in place, e.g.: • Who does the calculation of any relevant triggers? • Who has to be informed if the triggers are activated? • Who has to decide on how to respond once the triggers are	Disagreed. The Board has to sign-off all the documents/actions mentioned.

			activated? ⇨ The CEA would request the following addition to this paragraph: "*Proportionality should apply in the requirements for documentation and sign-off of management actions. The Board should only be required to sign-off high level principles, with less senior management signing-off trigger points and algorithms.*" ⇨ The CEA would request examples of what would be appropriate are included in this paragraph. **Inconsistencies in the paper** - We should also note that Para 3.28 requires the Board or delegated sub-committee to sign-off on each point whereas Para 3.14 requires the sign-off from the management. ⇨ The CEA requests that the requirement is clarified and is consistent throughout the paper.	Agreed. The advice text will be changed.
71	IUAL	Para 3.15 /3.30	Assessing realism and "foreseeable market conditions" is obviously subjective and subject to continuous review as market conditions change. Thus, there needs to be a flexible approach to whether a management action is realistic.	Disagreed.
72	GDV	Para 3.15	Realism may change due to differences in new business - "Realism" should not be interpreted too literally, i.e. the reality may be different due to new business in-flow and the presence of more liquidity deriving from future premiums, in a real portfolio the duration gap may be compensated by the liquidity due to premium in-flow.	Disagreed. It is incompatible with CP 30 on Future Premiums.

			⇨ The GDV would request that the following addition was made to the end of this paragraph: "...*taking into account the fact that new business over the period under which management actions are assumed may be different to expected*."	
73	GC	3.15	The second criterion [Realism] implies that it should be not just possible, but also realistic, for (re)insurance undertakings to carry out such actions, in relation both to market conditions (e.g. for sales or purchases of assets) and also to any commitments given to customers and/or supervisors about how the business will be managed. Realism requires the actions to be those that the undertaking could reasonably be expected to take and be able to take in a range of foreseeable market conditions. It goes further in 3.16 ... for a given scenario the assumed management actions should reflect an appropriate degree of competitiveness of the (re)insurance undertaking. The degree of competitiveness should be consistent with corporate planning. Not sure how practical this is especially with regards to the difficulties for companies to model and the ability of supervisors to review the modelling of management actions under extreme events.	Noted.
74	ABI	Para 3.15	**Realism may change due to differences in new business** - "Realism" should not be interpreted too literally, i.e. the reality may be different due to new business in-flow and the presence of more	Disagreed. It is incompatible with CP 30 on Future Premiums.

			liquidity deriving from future premiums, in a real portfolio the duration gap may be compensated by the liquidity due to premium in-flow. ⇨ The ABI would request that the following addition was made to the end of this paragraph: "...*taking into account the fact that new business over the period under which management actions are assumed may be different to expected*."	
75	CEA	Para 3.15	**Realism may change due to differences in new business** - *"Realism"* should not be interpreted too literally, i.e. the reality may be different due to new business in-flow and the presence of more liquidity deriving from future premiums, in a real portfolio the duration gap may be compensated by the liquidity due to premium in-flow. ⇨ The CEA would request that the following addition was made to the end of this paragraph: "...*taking into account the fact that new business over the period under which management actions are assumed may be different to expected*."	Disagreed. It is incompatible with CP 30 on Future Premiums.
76	FFSA	Para 3.16	For a given scenario, the assumed management actions should reflect the need for the (re)insurance undertaking not to reach unreasonable losses or to maintain a reasonable degree of competitiveness. The level of losses or the degree of competitiveness should be consistent with corporate planning" (Indeed, avoiding excessive losses can be sometimes a higher priority for undertakings than being always highly	Disagreed. Referring to "the level of acceptable losses", it would be not possible to assess whether an undertaking will have losses as a whole, considering a projection

			competitive)	just of a portfolio
77	Munich Re	Para 3.16/ 3.31	**Realism:** The approach chosen by CEIOPS is very demanding because it takes in account "any" legal or regulatory constraint as also a certain degree of competitiveness. In general these constraints are necessary conditions for an economic valuation but again the proportionality principle should also applied here because otherwise the degree of necessary modelling assumptions and documentations could be too burdensome.	Noted.
78	GDV	Para 3.16 /3.32	Competitiveness would be balanced against the need to protect against excessive losses- The last part "*For a given scenario the assumed management actions should reflect an appropriate degree of competitiveness of the (re)insurance undertaking. The degree of competitiveness should be consistent with corporate planning.*" needs clarification. The GDV would request that these sentences be deleted. Limited competitiveness under stress situation should not be dealt with in level 2 measures because this causes strategic risks considered sufficiently within the system of governance. If the paragraph is maintained, the wording "For a given scenario, the assumed management actions …" should be replaced by "The assumed management actions in a particular situation …"	Disagreed. Referring to "the level of acceptable losses", it would be not possible to assess whether an undertaking will have losses as a whole, considering a projection just of a portfolio
79	ABI	Para 3.16	**<u>The requirement should be re-worded</u>** - The last part "*Moreover, for a given scenario the assumed management actions should reflect an appropriate degree of competitiveness of the (re)insurance*	Disagreed. Referring to "the level of

			undertaking. The degree of competitiveness should be consistent with corporate planning." needs clarification. The key consideration is whether or not the management action would in practice be taken under the scenario being considered, e.g. would the need to maintain competitive bonus rates in order to write new business prevent in practice a cut in bonus rates or is it likely that solvency concerns would override such considerations? ⇨ The ABI would request that these sentences be re-worded to say: "Moreover, for a given scenario the assumed management actions should reflect *__the need of the (re)insurance undertaking to maintain a__* degree of competitiveness. The degree of competitiveness should be consistent with corporate planning."	acceptable losses", it would be not possible to assess whether an undertaking will have losses as a whole, considering a projection just of a portfolio
80	CEA	Para 3.16/3.32	**Competitiveness would be balanced against the need to protect against excessive losses-** The last part "*For a given scenario the assumed management actions should reflect an appropriate degree of competitiveness of the (re)insurance undertaking. The degree of competitiveness should be consistent with corporate planning."* needs clarification. The key consideration is whether or not the management action would in practice be taken under the scenario being considered, e.g. would the need to maintain competitive bonus rates in order to write new business prevent in practice a cut in bonus rates or is it likely that solvency concerns would override such considerations? Indeed, avoiding excessive losses can often be a higher priority for	Disagreed. Referring to "the level of acceptable losses", it would be not possible to assess whether an undertaking will have losses as a whole, considering a projection just of a portfolio

			undertakings than always being highly competitive. ⇨ The CEA would request that these sentences be re-worded to say: "For a given scenario the assumed management actions should reflect *the need of the (re)insurance undertaking to protect itself against unreasonable losses or to maintain a reasonable* degree of competitiveness. The *level of acceptable losses or the* degree of competitiveness should be consistent with corporate planning."	
81	AVIVA	3.17	The paper does not provide any help on how to model management actions on extreme situations. Regarding QIS4 we experience the following difficulties: Formulaic aggregation of net of management actions requirements from each module: This makes it more difficult to assess whether the implied level of management actions when aggregated is realistic. MCR requirement for technical provisions to be split into guaranteed benefits and discretionary benefits: We do not consider that the basis for defining guaranteed benefits (e.g. what policyholder behaviour should be assumed) has been adequately defined and expected this to be picked up in implementing measures.	Noted.
82	GC	3.17	The level of justification required for a given management action may depend on the impact of that management action. For example stronger justification may be required for more extreme management actions.	Agreed. It will be introduced in the CEIOPS advice that extreme

			Clear guidance should be given on what "extreme" management actions are.	management actions are under extreme scenarios or if they differ from the corporate planning.
83	ABI	Para 3.17	The paper does not provide any help on how to model management actions on extreme situations. When performing QIS4, some companies experienced the following difficulties: Formulaic aggregation of net of management actions requirements from each module: This makes it more difficult to assess whether the implied level of management actions when aggregated is realistic. MCR requirement for technical provisions to be split into guaranteed benefits and discretionary benefits: We do not consider that the basis for defining guaranteed benefits (e.g. what policyholder behaviour should be assumed) has been adequately defined and expected this to be picked up in implementing measures.	Agreed. It will be introduced in the CEIOPS advice that extreme management actions are under extreme scenarios or if they differ from the corporate planning.
84	FFSA	Para 3.18	The Consultation Paper sets that "*management actions assumed for different scenarios should be internally consistent*". The FFSA underlines that this sentence does not provide enough information regarding the way (re)insurance undertakings should document the different scenarios, and particularly the assumptions used for determining the hedging and assets allocation strategies. Therefore, the FFSA suggests that these scenarios should be documented by the undertakings as part of the Solvency II Pillar 2, and should be based on principles more than on strict rules. The aim would be to avoid a too precise level of documentation for the different	Noted.

			scenarios used.	
85	IUAL	Para 3.18	We would expect management actions to be 'internally consistent' as a principle of good governance, rather than specific requirements to check each management action. It may be more proportionate to initiate periodic checks. We would like to seek clarification as to whether "internal consistency" relates to a single entity, or could relate to a wider group operation. For example, some group subsidiaries might be run as independent entities, or acquisitions might result in different management practices. In those circumstances, it might not necessarily be appropriate to apply the "internal consistency" principle.	Noted.
86	ABI	Para 3.18	We would expect management actions to be 'internally consistent' as a principle of good governance, rather than specific requirements to check each management action. It may be more proportionate to initiate periodic checks. We would like to seek clarification as to whether "internal consistency" relates to a single entity, or could relate to a wider group operation. For example, some group subsidiaries might be run as independent entities, or acquisitions might result in different management practices. In those circumstances, it might not necessarily be appropriate to apply the "internal consistency" principle.	Noted.
87	CEA	Para 3.18	**Internal consistency requirements should be applied in a proportionate manner** - It is reasonable to assume "*management actions assumed for different scenarios should be internally consistent*". However, the CEA underlines that this needs to be done in a proportionate manner and should not result in a requirement for insurers to look at every individual scenario. A reasonable requirement	Noted.

			would be for insurers to carry out sensible and representative spot checks. ⇨ The CEA suggests that the text is added: "*Internal consistency should be verified via a series of representative spot-checks*. *Proportionality should be applied in this regard.*"	
88	AVIVA	3.19-3.24	The paper states the methods and techniques for the estimation of future cash-flows, and hence the assessment of the provisions for insurance liabilities should take into account both contractual and discretionary future management actions. The paper does not discuss the types of management actions which are expected to be used. From a group perspective, we believe this is not needed as these assumptions are likely to vary widely across Europe and will depend on company strategy and market practices. However in level 3, we will expect some examples to clarify (areas where future management actions are required) and help without restricting companies to implement these management actions.	Agreed. Further level 3 guidance.
89	ABI	From Para 3.19 to 3.24	The paper states the methods and techniques for the estimation of future cash flows, and hence the assessment of the provisions for insurance liabilities should take into account both contractual and discretionary future management actions. The paper does not discuss the types of management actions which are expected to be used. From a group perspective, we believe this is not needed as these assumptions are likely to vary widely across Europe and will depend on company strategy and market practices. However	Agreed. Further level 3 guidance.

			in level 3, we will expect some examples to clarify (areas where future management actions are required) and help without restricting companies to implement these management actions.	
90	Munich Re	Para 3.20	We agree that the main principle for realism is the use of realistic assumptions although this sentence seems a little bit tautological.	Noted.
91	FFSA	Para 3.21 / 3.35	The FFSA raises comments concerning the paragraph 3.21, which states that "*assumptions should be verifiable through […] the quantification of the effect of management actions either individually or in aggregate*". Indeed, the FFSA highlights that the requirements in terms of documentation linked to the quantification of the effect of management actions might be a very time-consuming and hard-to-implement constraint for (re)insurance undertakings.	Noted.
92	Munich Re	Para 3.21/ 3.35	The quotation of paragraph 11 is unclear. Maybe it should be reworded to "paragraph 13". To compare assumed future management actions and management actions taken by the (re)insurance undertaking in previous years could be misleading, as the circumstances might have changed since then. This means, e.g. the risk appetite the (re)insurance undertaking is willing to accept might have changed, also the legal environment might have changed.	Noted.
93	IUAL	Para 3.21	Verification is necessary. However, with regard to documentation and the approval process, we would refer to our comments in Para 3.14 above. Additionally, we would note that the comparison with past valuations may not necessarily be of such relevance going forward and	Noted.

			this possibility should be reflected in the guidance.	
94	GDV	Para 3.21 / 3.35	Proportionality should apply to the principle of verifiability - The GDV agrees with the principle of verifiability. However, the principle of proportionality should apply to the mechanisms required to verify the management actions. For example, with regards to the documentation requirements, these seem too detailed and burdensome for a (re)insurer (for example a requirement to trace the process, the ongoing work, the responsibilities and to verify the assumptions via a comprehensive plan, documentation and comparison of management actions in the current and in past valuations). Objectivity needs to be balanced with flexibility, algorithms may not be required - As described above in response to Para 3.13 the GDV does not agree that there must necessarily be algorithms for the management actions. ⇨ The GDV would request the following addition to this paragraph: "*Proportionality should apply in the requirements for documentation and sign-off of management actions. The Board should only be required to sign-off high level principles, with less senior management signing-off trigger points and algorithms.*" Management actions taken in previous years should not be binding but	Noted.

			they will provide useful indicators – Previous years' management actions are useful indicators but there may not be examples of previous management actions for all future possible scenarios, especially for the kind of management actions that might be appropriate under extreme conditions. It also may not be the case that the insurer would be expected to consider the same management actions again in the future. ⇨ The GDV would request the following addition to this paragraph: "*Bearing in mind that management actions taken in previous years will not necessarily provide relevant comparisons, particularly for the kind of management actions that might be appropriate under extremely adverse conditions*." Quantification of management actions may be overly onerous - The GDV has concerns regarding the requirement for: "*assumptions should be verifiable through […] the quantification of the effect of management actions either individually or in aggregate*". The requirement for documentation linked to the quantification of the effect of management actions might be a very time-consuming and hard-to-implement constraint for (re)insurance undertakings. Therefore whilst we acknowledge that some quantification may be appropriate, this needs to be proportionate. Please also see comments to Para 3.36. ⇨ The GDV requests the principle of proportionality is applied in this area.	

95	DIMA	3.21	There are certain circumstances where the undertaking may not have sufficient history of past management actions. These may include: - situations where projected scenarios have never occurred before; - the undertaking is not long enough established to have generated a comprehensive history of management actions; or - the undertaking does not have a long history in a particular line of business (this may be more likely in the case of a reinsurance undertaking where individual treaties can give rise to unique considerations for the undertaking). Therefore if assumed future management actions are what one could reasonably expect then they should be allowed unless history records that management has in the past acted in contradiction to the assumed future actions. There should be a time limit for looking back at history as undertakings and groups evolve over time.	Noted.
96	IE S2 Group	3.21	There are certain circumstances where the undetaking may not have sufficient history of past management actions, for instance because projected scenarios have never occurred before, because the undertaking is not long enough established to have generated a comprehensive history of management actions, because the undertaking has not a long history in a particular line of business (this may be more likely in the case of a reinsurance undertaking where individual treaties can give rise to unique considerations for the	Noted.

			undertaking). Therefore if assumed future management actions are what one could reasonably expect then they should be allowed unless history records that management has in the past acted in contradiction to the assumed future actions. There should be a time limit for looking back at history as undertakings and groups evolve over time.	
97	CEA	Para 3.21/3.35	**Proportionality should apply to the principle of verifiability -** The CEA agrees with the principle of verifiability. However, the principle of proportionality should apply to the mechanisms required to verify the management actions. For example, with regards to the documentation requirements, these seem too detailed and burdensome for a (re)insurer (for example a requirement to trace the process, the ongoing work, the responsibilities and to verify the assumptions via a comprehensive plan, documentation and comparison of management actions in the current and in past valuations). **Objectivity needs to be balanced with flexibility, algorithms may not be required** - As described above in response to Para 3.13 the CEA does not agree that there must necessarily be algorithms for the management actions. ⇨ The CEA would request the following addition to this paragraph:	Noted.

			"*Proportionality should apply in the requirements for documentation and sign-off of management actions. The Board should only be required to sign-off high level principles, with less senior management signing-off trigger points and algorithms.*" **Management actions taken in previous years should not be binding but they will provide useful indicators** – Previous years' management actions are useful indicators but there may not be examples of previous management actions for all future possible scenarios, especially for the kind of management actions that might be appropriate under extreme conditions. It also may not be the case that the insurer would be expected to consider the same management actions again in the future. ⇨ The CEA would request the following addition to this paragraph: "*Bearing in mind that management actions taken in previous years will not necessarily provide relevant comparisons, particularly for the kind of management actions that might be appropriate under extremely adverse conditions*." **Quantification of management actions may be overly onerous** - The CEA has concerns regarding the requirement for: "*assumptions should be verifiable through […] the quantification of the effect of management actions either individually or in aggregate*". The requirement for documentation linked to the quantification of the effect of management actions might be a very time-consuming and hard-to-	

			implement constraint for (re)insurance undertakings. Therefore whilst we acknowledge that some quantification may be appropriate, this needs to be proportionate. Please also see comments to Para 3.36. ⇨ The CEA requests the principle of proportionality is applied in this area.	
98	UNESPA	Para 3.21 to 3.24 and 3.34 to 3.36	Regarding verifiability, it will be difficult to demonstrate some management actions we would take under some scenarios, since these have never happened.	Noted.
99	DIMA	3.24	Further guidance would be welcomed, particularly for reinsurance companies and the issue of related undertakings.	Partially agreed. For reinsurer, management actions have to be considered such as "policyholder behaviour"
100	IE S2 Group	3.24	Further guidance would be welcomed particularly for reinsurance companies and the issue of related undertakings.	Partially agreed. For reinsurer, management actions have to be considered such as "policyholder behaviour"
101	CEA	Para 3.24	**Emphasis should be on consistent principles for the allowance for management actions in Best Estimates** –The emphasis should be on having consistent principles for determining whether certain management actions are appropriate for a particular company to take them into account in their Best Estimate calculations, rather than trying to ensure consistency between how insurers actually react in different circumstances. Management actions used by different	Noted.

			companies in different situations can provide the key competitive differentiator between companies. ⇨ The CEA would request the following change to this paragraph: *"Further guidance should be developed at Level 3 in order to ensure that the management actions used for the Solvency II technical provisions calculations are appropriate for each insurer."*	
102	GDV	Para 3.25	Companies should not be forced to allow for management actions – See comments to Para 3.9. ⇨ The GDV suggests that "*should take account*" is changed to "*may take account*". The principle of proportionality needs to be taken into account in the allowance for management actions – See comments to Para 3.12. ⇨ The GDV suggests that the sentence is added: *"The principle of proportionality should apply in the use of management actions in the estimation of future cash-flows."* Management actions should be considered in the context of governance and risk management – The paper doesn't sufficiently capture the links between the management actions assumed in the calculation of technical provisions and the issue of governance and risk management.	Noted.

			A key consideration should be how the management actions are integrated in their risk management processes, i.e. how does the (re)insurer manage their risk and what does their risk management process assume would be the action taken under certain scenarios. ⇨ The GDV would request the addition of the text: *".. and the extent to which these are considered under the risk management processes of the (re)insurer."*	
103	ABI	Para 3.25	**<u>Management actions should be considered in the context of governance and risk management</u>** – The paper doesn't sufficiently capture the links between the management actions assumed in the calculation of technical provisions and the issue of governance and risk management. A key consideration should be how the management actions are integrated in their risk management processes, i.e. how does the (re)insurer manage their risk and what does their risk management process assume would be the action taken under certain scenarios. ⇨ The ABI would request the addition of the text: *".. and the extent to which these are considered under the risk management processes of the (re)insurer."*	Disagreed. Management actions are connected but not identified in governance system or risk management
104	CEA	Para 3.25	**Companies should not be forced to allow for management actions** – See comments to Para 3.9. ⇨ The CEA suggests that "*should take account*" is changed to "*may*	Noted.

			take account".	
			The principle of proportionality needs to be taken into account in the allowance for management actions – See comments to Para 3.12. ⇨ The CEA suggests that the sentence is added: "*The principle of proportionality should apply in the use of management actions in the estimation of future cash-flows.*"	Noted.
			Management actions should be considered in the context of governance and risk management – The paper doesn't sufficiently capture the links between the management actions assumed in the calculation of technical provisions and the issue of governance and risk management. A key consideration should be how the management actions are integrated in their risk management processes, i.e. how does the (re)insurer manage their risk and what does their risk management process assume would be the action taken under certain scenarios. ⇨ The CEA would request the addition of the text: "*.. and the extent to which these are considered under the risk management processes of the (re)insurer.*"	Disagreed. Management actions are connected but not identified in governance system or risk management
105	CFO	Para 3.25 – 3.36	The CFO Forum agrees with the general principles of the proposed Level 2 implementing measures for assumptions about future	Noted.

			management actions for the assessment of provisions set out in these paragraphs. We note that the CFO Forum is aligned in its views with the more detailed comments provided by the CRO Forum.	
106	GDV	Para 3.26	⇨ The sentence: "*If these criterions cannot be demonstrated by the (re)insurance undertaking, the management actions should not be taken into account*" should be replaced by: "*It is in the responsibility of the (re)insurance undertaking to demonstrate that these criteria are met.*"	Disagree. The supervisors will decide adequacy or not, having the power to revise the calculations and methods and, if appropriate, to require the necessary corrections
107	DIMA	3.26	Who decides the adequacy of the demonstration that assumption used is objective, realistic and verifiable? Would that be the regulator, auditor or the board of directors? What criteria will be used to assess adequacy? Some standards could be developed to with the aim of ensuring consistency across companies, countries and regulators.	Disagree. The supervisors will decide adequacy or not, having the power to revise the calculations and methods and, if appropriate, to require the necessary corrections
108	IE S2 Group	3.26	Who decides the adequacy of the demonstration that assumption used is objective, realistic and verifiable? Would that be the regulator, auditor, or the Board. What criteria will be used to assess adequacy. Some standards could be developed to with the aim of ensuring consistency across companies, countries and regulators.	Disagree. The supervisors will decide adequacy or not, having the power to revise the calculations and methods and, if appropriate, to require the necessary

				corrections
109	GC	3.26	The example should be changed in the following way: "Stronger justification may be required for management actions in extreme scenarios or if they differ from the corporate planning. These have to be disclosed."	Agreed. It will be introduced in the CEIOPS advice that extreme management actions are under extreme scenarios or if they differ from the corporate planning.
110	Pearl	Para 3.27	The timing is unclear. It would be helpful to have clarification on how quickly the triggers ought to work.	Noted.
111	Deloitte	Para.3.27 *Also applies to Para.3.30 and Para.3.31*	We agree with the principle that the (re)insurance undertaking should have "clear trigger points and algorithm showing when and how management actions might be applied". However, we believe that the degree of complexity should not be greater than the level of risk. There is a risk that by trying to model too many management actions, companies build internal models which are too complex and become difficult to control, and in so doing they increase the risk that the results of the internal model cannot be validated.	Noted.
112	Pearl	Paras 3.27 and 3.28	We are concerned that the requirements around the 'objectivity' criteria might be too constraining. It would be helpful to have examples in this respect.	Noted.
113	Legal and General	Objectivity (blue text) 3.27-3.28	We agree with the criteria set out but consider them to be indicative rather than absolute. The circumstances that could lead to management actions	Noted.

			are many and in practice a firm will have done a number of "what if" scenarios but in practice the details may not be "objective" enough as defined in these sections. It depends upon how "include" in 3.28 is interpreted	
114	ABI	Para 3.27	The timing is unclear. It would be helpful to have clarification on how quickly the triggers ought to work.	Noted.
115	ABI	Paras 3.27 to 3.33	We are concerned that the requirements around the 'objectivity' and 'realism' criteria might be too constraining. It would be helpful to have examples in this respect.	Noted.
116	Deloitte	Para.3.28	We recommend that this paragraph should be explicitly cross referenced to CP33 "*System of Governance*", as it effectively relates to the determination of triggers which should be aligned with risk appetite and risk policies.	Disagreed. Management actions are connected but not identified in governance system or risk management
117	Legal and General	Realism (blue text) 3.29-3.33	The criteria are sensible and if a firm is repeating a previous actions there should be no material issues. However if the firm is adopting a new management action then regulators should also take into account about whether it (the regulator) is aware of such an action being successfully used in another firm. It should also take into account whether the actions are systemic across the market and whether the impact of this is as the regulator intended An example of this would be firms all selling assets in the same markets at the same time.	Noted. Disagreed.
118	GDV	Para 3.30	The requirements for realism should be clarified - The text requires	Noted.

			that future management actions should be consistent with the insurance undertaking's current principles and practices. This requirement needs to be clarified as it should not be misinterpreted as a requirement for the management actions that apply to current benign conditions to also be expected to be those that apply in stress situations. Indeed a requirement for proof of evidence that the undertaking changes policy when a new situation occurs should not include a requirement for proof of evidence for a change in management actions in a stress situation when this change in management actions was already foreseen by the insurer's management. Furthermore, we should point out that any scenario approach or what if analysis deals with a hypothetical situation. Therefore the management actions based on the results are somehow hypothetical too. Therefore "realism" seems to be a quite strict criterion to deal with. We would propose that instead of using the criterion "realism" one should implement the principle: "*When calculating the technical provisions, insurers must ensure that assumptions on the use of management actions are reasonable."* Lastly, we should note that the requirement for realism will always require a significant degree of judgement and as such we would expect this requirement to be applied in a flexible manner. ⇨ The GDV would request examples of what would be appropriate are included in this paragraph.	

119	ABI	Para 3.30	**<u>The demands for realism are too rigid</u>** - The demands for future management actions to be consistent with the insurance undertakings current principles and practices are not realistic. Especially when this is combined with proof of evidence that the undertaking changes policy when a new situation occurs. New situations require new alternatives of actions, which have not been regarded in advance, and thus are the demands for realism too rigid and also misleading.	Noted.
120	CEA	Para 3.30	**The requirements for realism should be clarified** - The text requires that future management actions should be consistent with the insurance undertaking's current principles and practices. This requirement needs to be clarified as it should not be misinterpreted as a requirement for the management actions that apply to current benign conditions to also be expected to be those that apply in stress situations. Indeed a requirement for proof of evidence that the undertaking changes policy when a new situation occurs should not include a requirement for proof of evidence for a change in management actions in a stress situation when this change in management actions was already foreseen by the insurer's management. Furthermore, we should point out that any scenario approach or what if analysis deals with a hypothetical situation. Therefore the management actions based on the results are somehow hypothetical too. Therefore "realism" seems to be a quite strict criterion to deal with. We would propose that instead of using the criterion "realism" one should	Noted.

			implement the principle: "*When calculating the technical provisions, insurers must ensure that assumptions on the use of management actions are reasonable.*" Lastly, we should note that the requirement for realism will always require a significant degree of judgement and as such we would expect this requirement to be applied in a flexible manner. ⇨ The CEA would request examples of what would be appropriate are included in this paragraph.	
121	GDV	Para 3.31	We agree with the statement that the undertaking can not undertake management actions which are contrary to their obligations to policyholders.	Noted.
122	CEA	Para 3.31	We agree with the statement that the undertaking can not undertake management actions which are contrary to their obligations to policyholders.	Noted.
123	Oliver Wyman	Para 3.32	We are concerned about a potential conflicting message between this paragraph and the proposals in CP 31-09. This paragraph rightly suggests that the calculation of the SCR should be consistent with the approach underlying the calculation of technical provisions, which itself suggests that the impact of management actions (including changes in asset mix) should be captured from the valuation date. However CP31-09 suggests that the impact of dynamic hedging (which is a form of management action regarding asset mix) should not be captured under	

			the standard formula approach to SCR. The only way to ensure consistency between the calculation of technical provisions and SCR as set out in CP31-09 and CP32-09 is to disallow the impact of management actions in the first projection year in the valuation of technical provisions, which is counter to the message contained in CP32-09.	
124	GDV	Para 3.33	Proportionality should be applied here - We believe that the demand to take account of the time to implement actions and the costs associated with these when calculating technical provisions could be somewhat unrealistic. The principle of proportionality should thus also be applied here.	Noted.
125	Deloitte	Para. 3.33	We agree with the principle that allowance should be made for the time taken to implement actions. However, this could lead to practical difficulties in implementation, and accordingly we would welcome more clarity on what is expected in terms of allowance for the “time to implement action”.	Noted.
126	CEA	Para 3.33	**Proportionality should be applied here** - We believe that the demand to take account of the time to implement actions and the costs associated with these when calculating technical provisions could be somewhat unrealistic. The principle of proportionality should thus also be applied here.	Noted.

127	Legal and General	Verifiable (blue text) 3.34-3.36	The approach is sensible but in practice they may not be sufficient or appropriate to all actions Amend the wording in 3.35 by adding after “verifiable from” the word “typically”.	Disagreed.
128	FFSA	Para 3.35	We raise the point that management actions modeled should not always refer to previous year’s management actions.	Noted.
129	IUAL	Para 3.35	Please see our comments in Para 3.21 above.	Noted.
130	Deloitte	Para.3.35	We believe that the text should clearly state that, where applicable, all criteria are needed to evidence the verifiability of the management action, as opposed to one criterion chosen in isolation.	Noted.
131	KPMG	Para 3.35	It is unclear how quantification of management actions as noted here would verify a management action.	Noted.
132	IUAL	Para 3.36	We agree with this measure in line with a proportionate approach and suitable corporate governance.	Noted.
133	GDV	Para 3.36	We agree with the requirement to provide stronger justification for more extreme management actions. ⇨ The GDV would request examples of the degree of detail given in the differing strengths of the justification of management actions in Level 3. ⇨ For clarification purposes, we would request the last sentence is reworded as follows: “For example, stronger justification may be required for more extreme management actions *taken in normal circumstances or those management actions expected*	Agreed. It will be introduced in the CEIOPS advice that extreme

			under extreme circumstances."	management actions are under extreme scenarios or if they differ from the corporate planning.
134	Deloitte	Para.3.36	We would welcome further guidance on the triggers which would indicate a "more extreme management action" and hence could lead to further requests from the supervisor.	Agreed. It will be introduced in the CEIOPS advice that extreme management actions are under extreme scenarios or if they differ from the corporate planning.
135	DIMA	3.36	Who decides on the level of justification required? What criteria will be used to assess the level of justification required? Some standards could be developed to with the aim of ensuring consistency across companies, countries and regulators.	Disagree. The supervisors will decide adequacy or not, having the power to revise the calculations and methods and, if appropriate, to require the necessary corrections
136	IE S2 Group	3.36	Who decides on the level of justification required? What criteria will be used to assess the level of justification required. Some standards could be developed to with the aim of ensuring consistency across companies, countries and regulators.	Disagree. The supervisors will decide adequacy or not, having the power to revise the calculations and methods and, if appropriate, to require the necessary corrections
137	ABI	Para 3.36	We agree with the requirement to provide stronger justification for	Agreed.

			more extreme management actions. ⇨ The ABI would request examples of the degree of detail given in the differing strengths of the justification of management actions in Level 3.	It will be introduced in the CEIOPS advice that extreme management actions are under extreme scenarios or if they differ from the corporate planning.
138	DAV	Para 36	We propose to change the following sentence into: "Stronger justification and disclosure may be required for a significant change of the management actions in normal scenarios as well as for management actions in more extreme scenarios."	Disagreed.
139	CEA	Para 3.36	**More information is requested on the degree of justification required** - We agree with the requirement to provide stronger justification for more extreme management actions. ⇨ The CEA would request examples of the degree of detail given in the differing strengths of the justification of management actions in Level 3. ⇨ For clarification purposes, we would request the last sentence is reworded as follows: "For example, stronger justification may be required for more extreme management actions *taken in normal circumstances or those management actions expected under extreme circumstances*."	Disagree. The supervisors will decide adequacy or not, having the power to revise the calculations and methods and, if appropriate, to require the necessary corrections