

Comments Template on CP-12-003 – Draft Technical Specifications QIS IORP II		Deadline 31 July 2012 18:00 CET
Name of Company:	Insurance Europe	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ Do not change the numbering in the column “reference”; if you change numbering, your comment cannot be processed by our IT tool ⇒ Leave the last column <u>empty</u>. ⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph or a cell, keep the row <u>empty</u>. ⇒ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. <p>Please send the completed template, in Word Format, to CP-12-003@eiopa.europa.eu. Our IT tool does not allow processing of any other formats.</p> <p>The numbering of the paragraphs refers to Consultation Paper 12-003.</p>		
Reference	Comment	
General Comment	<p>Introduction</p> <p>Insurance Europe is pleased to comment on EIOPA’s consultation on “draft technical specifications QIS of EIOPA’s advice on the review of the IORP Directive”.</p> <p>Insurance Europe welcomes the decision to conduct a QIS with a view to better assessing the proposed review of the IORP directive and, more specifically to test the proposed HBS approach and specific features related to occupational pension schemes. This is a necessary step in the IORP Directive review process. Therefore we</p>	

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	<p>agree with EIOPA’s general aim as expressed in the introductory part of the consultation paper: “EIOPA’s consultation paper on the technical specifications for the study aims at helping IORPs perform the necessary calculations in the event that a Holistic Balance Sheet (HBS) approach would be implemented as part of the revised IORP Directive. The purpose of the consultation is to assess the valuation and risk-mitigating effects on the solvency capital requirements of the pension funds' adjustment and security mechanisms, such as conditional and discretionary benefits, reductions of benefits, sponsor support and pension protection schemes.”</p> <p>There exists a large variety of pension schemes and IORPs. Therefore, there are challenges to calibrate and fine-tune technical specifications of the HBS approach, which include the quantification of various elements like sponsor support. It is also a problem that in the Solvency II QIS exercises certain elements relevant to long-term commitments were missing. As a result, these elements are also missing in the current proposed specifications. We therefore support any considerations by EIOPA to include such elements. In our view, the above mentioned challenges linked to the review of the IORP Directive reinforce the importance of the current exercise.</p> <p>Applying Solvency II to IORPs</p> <p>On previous occasions Insurance Europe stressed the importance of fair competition between financial institutions, including IORPs, that provide occupational pension products, and of consistency in prudential regimes. This can be achieved by applying the 'same risks, same rules, same capital' principle. As a result, Insurance Europe is of the opinion that the principles of the risk-based Solvency II framework should serve as the basis for regulating all financial institutions providing occupational pension products as long as the economically significant characteristics of the different pension products or schemes are taken into account. The QIS has to be used to thoroughly test these economically significant differences. If it appears that further testing is necessary, then an additional QIS exercise should be performed. The purpose of the current exercise should also be to ensure that comparable specificities between insurers and pension funds should be taken into account in a similar way for</p>	

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	<p>all providers, be they insurers or pension funds.</p> <p>Furthermore, Insurance Europe strongly believes that all financial institutions that are providers of occupational pensions should be regulated not on the basis of the legal vehicle through which pension products are provided, but rather according to the risks those benefits present to the provider, members and beneficiaries in line with the principle of 'substance over form'. Therefore, Insurance Europe welcomes the consistency with the Solvency II Framework Directive in the technical specifications for the QIS. This will ensure similar treatment for long term savings products.</p> <p>We agree with EIOPA that the proposed set of technical specifications should be seen as "work in progress" to be followed up by further examinations as necessary, including a thorough impact assessment. We also believe that where Solvency II elements are used which are not finally fixed in the Solvency II framework, EIOPA should use the most likely outcome of the discussions for the purpose of the QIS. Additionally, all the simplifications of Solvency II should be given consideration in the QIS. EIOPA should even consider additional simplifications, especially regarding the valuation of the sponsor covenant.</p> <p>It should also be recalled that the 5th Quantitative Impact Study of Solvency II revealed that certain parts of the framework may not be entirely appropriate for products with a long term nature. As such, many of the challenges made apparent by the QIS 5 exercise are relevant for both insurance undertakings and IORPs. As a result, Insurance Europe considers that the right approach going forward consists in firstly, solving the problems that exist in the Solvency II framework, and secondly, introducing the appropriate solutions, in the revised IORP Directive. Such an approach is better than one which would consist in trying to solve issues in one Directive whilst leaving the problems open in the other one. Similarly, should solutions be found within the context of the IORP Directive they should also apply to insurers where appropriate</p>	

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	<p>The QIS exercise</p> <p>Insurance Europe believes that the discussion at this stage should focus on assessing in detail the different aspects of the HBS. For the purpose of the QIS, Insurance Europe suggests calculating all the potential options of the Holistic Balance Sheet (HBS) with a higher degree of granularity than is currently foreseen by EIOPA in order to allow for discussions on the basis of the outcome of the QIS. In our opinion, all the particularities of occupational pensions should be calculated as potential assets of the HBS. However, there should be limitations whether to take these security mechanisms into account, either fully or partially (eg due to interdependencies between the different security mechanisms used). There might be differences across the EU on what should be finally accepted as assets in the HBS depending on the type of IORP and the national social and labour laws.</p> <p>Calculating all the security and adjustment mechanisms separately as assets would have a number of benefits as it would allow for:</p> <ul style="list-style-type: none"> • Performing the necessary calculations of the QIS without knowing exactly what the outcome of the Directive review will be. • Learning from the QIS which of the IORPs' security mechanisms are the most relevant risk factors and will therefore have an impact on the solvency of the IORPs. • Making it possible to assess the effort needed to valuate to the IORPs which would help to identify where additional simplifications are crucial. • Certain IORPs to take part in the QIS even if they cannot calculate every security mechanism. These IORPs could focus on the aspects they consider to be particularly relevant for them. • A higher degree of transparency for the assessment of the different security 	

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	<p>and adjustment mechanisms. As a result, conclusions will be reached easier, whether the requirements on the HBS are appropriate for which type of IORPs. For example, if the outcome would be that all the risk is taken by the sponsor, this type of IORPs could be excluded from a lot of the burdensome calculations.</p> <ul style="list-style-type: none"> • A more transparent differentiation of IORPs across Europe. <p>However, due to different valuation mechanisms – market-consistent evaluation of the IORP in the HBS vs. local GAAP or IFRS of the sponsors – recognition of sponsors support seems to be a quite difficult issue even from an academic view. Usually no economic balance sheet of the sponsors exists, so evaluation deviations will occur. This would justify looking for even simpler methods of valuation of the sponsors covenant.</p> <p>Valuation of components beyond the sphere of the IORP itself is a big challenge for IORPs. Data and parameters from sponsors and pension protection schemes might not be publicly available and the IORP should not be responsible for completing these missing figures. Therefore EIOPA has to fill these gaps or delegate the discussion about their completion to the national supervisors. The results of the QIS should give further insight as to where IORPs lack information and need more guidance and specifications on methods and parameters. The outcome of the QIS should be carefully taken into account by EIOPA regarding when considering its final advice.</p> <p>Recovery plans</p> <p>Finally, Insurance Europe would like to comment on the issue of the length of the recovery period. Although this question has not been touched upon within this consultation, it should be looked at since it has an impact on the financial situation of an IORP or financial institution. In general, Insurance Europe believes that the principles of Articles 138 and 139 of the Solvency II Framework Directive should apply to IORPs. However, the recovery periods agreed by the supervisors should be flexible, based on the nature of the IORP, the specific characteristics of the IORP, and the</p>	

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	national system it operates in. Insurance Europe regrets that no options were put forward to test different alternatives within the context of the QIS.	
Q1.	<p>Insurance Europe sees the QIS as an important step in testing a harmonised solvency regime for IORPs. We would like to stress that the focus of the QIS should be on important, specific issues relating to IORPs. Therefore we recommend testing mainly the different options with regard to the adjustment mechanisms and the security mechanisms. However, uncertainty -such as measures for long term guarantee products- in Solvency II should be discussed and solved within the Solvency II framework.</p> <p>Insurance Europe agrees on the general set-up of the QIS exercise as put forward in chapter 1. Insurance Europe understands that the draft specifications in this document have been developed by making use of the latest technical specifications for Solvency II. However, given the on-going discussions at Council and European Parliament, Insurance Europe stresses to include the latest specifications. Especially, since these changes might have a big impact on products offering long term guarantees, including occupational pension products. This has also been indicated in I.5.6 and HBS.8.14 but not in I.4.5. Finally, Insurance Europe wants to stress that the correct conclusions should be drawn from the results.</p> <p>Furthermore, Insurance Europe considers it very important to get the review of the Directive right, even if this would imply that further testing is needed.</p>	
Q2.	<p>The valuation of the adjustment and security mechanisms are new concepts. EIOPA has tried to account for the specificities of IORPs. It is difficult to say these are adequate until they have been tested. Further testing may be required to ensure that they accurately reflect the economic reality faced by IORPs. Additionally, the testing will also provide information about the practicality of the models.</p> <p>However, we have doubts regarding the feasibility in practise of the proposed approach. For example, in the current approach pension protection schemes are used</p>	

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	<p>to back the sponsor’s financial capabilities. It is more appropriate to include all protection mechanisms where parts of the obligations of the IORP are transferred to another protection vehicle. At least for the purpose of this QIS, the practical details should be specified on national level.</p> <p>HBS 4.34 provides three options for the inclusion of benefit. One possible way forward in the QIS is to follow option 1 and to calculate the release of liabilities of options 2 and 3 as assets in the HBS. This will benefit to further discussion based on the results of the QIS.</p> <p>Furthermore, while the proposed valuation methods of security mechanisms are already hard to assess for single employer, they are hardly feasible for multi-employer IORPS.</p>	
Q3.	<p>In general, more clarification would be helpful. Probably some problems will also only be observable during the implementation of the calculation tools.</p> <p>Please refer to the paragraph specific comments for information that should be improved to avoid misinterpretations.</p>	
Q4.	<p>Insurance Europe has doubts as to whether the calculations proposed in the technical specifications are feasible at appropriate costs and with appropriate accuracy within the given timeframe of the QIS. In general, Insurance Europe believes that more simplifications have to be provided.</p> <p>For example, the sponsor’s financial capabilities are usually not easy to asses. It is already difficult for a single-employer IORP. For multi- employer IORP (which sometimes have more than 100 or even 1000 of sponsors) it seems to be impossible without further guidance and simplifications.</p> <p>It might be easier to use Cash flow projections of the IORP itself and to identify those</p>	

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	Cash flows which are subject to security mechanisms or sponsor support (with some modification if appropriate). However the completion of the right parameters still is not easy.	
Q5.	<p>Insurance Europe thinks that the draft technical specifications provide enough guidance on how to set up and value the holistic balance sheet but doubts on its feasibility in practise. Especially for smaller IORPs some guidance should be provided how to use company own data and parameters.</p> <p>For more information on which parts should be improved, please refer to the paragraph specific responses.</p>	
Q6.	<p>The valuation seems to be quite complex, even with the proposed simplification. Stochastic simulation approaches are usually not regarded/considered/perceived simple.</p> <p>Furthermore, the sponsor’s financial capabilities are usually not easy to asses. It is already difficult for single-employer IORP. For multi- employer IORP there can be more than 100 sponsors possible. Additionally, it is unclear how to assess the future profits of non-for profit organisations. They too can offer pension provisions for their employees. An alternative approach here would be to take into account the surplus rather than the profit and to also include reserves in the maximum value for the sponsor support.</p> <p>Additionally, setting probability parameters of sponsor default might be a rather difficult exercise – some additional guidance on national level (taking into account the national specifics) might be helpful. Which pension protection schemes to take into account should at least for the purpose of this QIS be clarified at the national level since the mechanisms might be very different within member states.</p> <p>Another possibility to determine the asset value of pension protection schemes might be to evaluate the reduction in risk for the IORP that results from transferring some of</p>	

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	<p>its obligations to the protection scheme (which could be modelled as a special form of lapse).</p> <p>Furthermore, we understand the need to value the different security mechanisms in the context of the QIS. However, as a proposal we see more benefit in a top down approach based on the level of sponsor support meaning that when the assets are higher than the SCR/MCR requirements no additional calculations should be required. Only in case the assets do not cover SCR/MCR requirements it should be checked what the next protection mechanism is and its impact on the SCR/MCR ie sponsor support, benefit reduction, pension protection schemes, ... This could avoid unnecessary calculations.</p> <p>Finally, Insurance Europe stresses that the sponsor covenant should be taken into account only if the sponsor covenant is legally enforceable. However, for purpose of the QIS, it might be useful for further discussions to also assess the effect of the sponsor covenant when it would not be legally enforceable.</p>	
Q7.	<p>Insurance Europe believes that since longevity risk is one of the main risks for IORPs, the use of up-to-date generational mortality tables and not of static mortality tables is extremely important.</p> <p>Currently many IORPs and supervisors use static mortality tables that are only reviewed after certain years and reflect the past experience of the period in which the data were collected. When using static tables, the life expectancy is the same at any given age no matter when the individual was born.</p> <p>Generational mortality tables calculate mortality based on the year of birth for each individual, allowing for expected future improvements in mortality. As such, the future development of life expectancy throughout one's life is systematically included in the calculation of the present value of the calculations. On the other hand, generational tables will allow for the fact that those that will reach a certain age later, will be expected to live longer. However, it should be remarked that in most cases trend</p>	

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	<p>information is usually not be on special portfolio information of the single IORP or insurer but on information derived from (national) population data.</p> <p>Some insurers and IORPs already use such generational mortality tables. It should be required for this QIS as well.</p> <p>Insurance Europe also wants to stress that the most appropriate tables should be used, these are not necessarily the most recent ones available.</p>	
Q8.	<p>Insurance Europe believes that the section 2.4 was clear in its description of the calculation of the best estimate and how the projection of these cash flows will be made. However, it should be made clear from the beginning of this section that surplus funds as exempt by Solvency II are not included in the discussions on how to value technical provisions; as such funds should be treated as assets and not liabilities.</p> <p>In addition, Insurance Europe has its doubts on the feasibility and practical implementation if no additional information would be provided to those IORPs participating in the QIS.</p> <p>For example for Germany, there are still some questions under discussion. For example on how to include some indexation mechanisms in the pay-out phase required by German law Betriebsrentengesetz.</p> <p>A simpler and more general concept of benefits might be easier to handle than the different kinds of benefits defined in the technical specifications. For the QIS, however, testing the different concepts might be reasonable but causes some effort. Based on the principle of proportionality, a general concept could be developed.</p>	
Q9.	<p>Insurance Europe agrees that the reduction of benefits should be taken into account in the QIS. However, it should be a contractual ability to reduce claims levels.</p>	

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	<p>However, for purpose of the QIS, it might be useful for further discussions to also assess the effect of a benefit reduction when it would not be a contractual ability. Additionally, although outside the scope of the QIS, Insurance Europe wants to stress that this feature of IORPs should be appropriately communicated to the employee.</p> <p>Furthermore, this ability should be not shown as a reduction in the liabilities but as an additional asset in the HBS. This automatically leads to more transparency. Additionally the possibility of reduction of the benefits is not independent of additional sponsors support or other protection mechanisms. It could be a Pro and not a Con to deal it as an asset. Otherwise you have to model the interdependencies of the liability reduction and the other protection mechanisms very carefully (define what comes first: reduction of claims or sponsor support). E.g. in Germany there are court decisions that if the IORP reduces its pension payments (which is allowed) the sponsor has to fill this gap. If you just reduce the liabilities you have to shorten the asset of sponsors support in an appropriate way, so you have to calculate the reduction amount anyway.</p> <p>We think if there are no interdependencies, i.e. the IORP can reduce its obligation without any effect to the sponsor or the pension protection mechanisms, it might be reasonable to have a reduction in liabilities. But even there - for the purpose of this QIS - a quantification would be beneficial (and could be shown as an asset)</p> <p>With respect to the solvency capital requirements it should not matter whether to show this reduction as an asset or to reduce the liabilities - from the point of transparency we believe it might be better to show it as an asset in the HBS in this QIS.</p> <p>However, although outside the scope of the QIS, Insurance Europe wants to stress that this feature of IORPs should be appropriately communicated to the employee.</p>	
Q10.	Insurance Europe agrees with the principle of a market consistent valuation basis but we are in doubt about the feasibility of calculations. The valuation seems to be quite	

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	<p>complex.</p> <p>Firstly, Insurance Europe questions how to achieve realistic assumptions about future gains of the sponsor and how this could be checked by the supervisors. It is already difficult only for single-employer IORPs. For multi- employer IORP (which sometimes have more than 100 or even 1000 of sponsors) it seems to be impossible without further guidance and simplifications.</p> <p>Secondly, in the current approach pension protection schemes are used to back the sponsor’s financial capabilities. It might be more appropriate to include all protection mechanisms where parts of the obligations of the IORP are transferred to another protection vehicle. In the spirit of the Holistic Balance Sheet such a wider interpretation should be taken (and specified on national level). At least for the purpose of this QIS, this should be detailed on national level, taking into account the economic reality of the pension protection schemes.</p> <p>Thirdly, setting of probability parameters of sponsor default might be a rather difficult exercise – some additional guidance on national level (taking into account the national specifics) might be helpful.</p>	
Q11.	<p>Valuation of components beyond the sphere of the IORP itself is a big challenge for IORPs. Data and parameters from sponsors and pension protection schemes might not be publicly available and the IORP should not have the responsibility for completing these missing figures. Therefore EIOPA has to fill these gaps or to delegate the discussion about the completion of these figures to the national supervisors. The QIS’ results should give further insight where IORPs have lack of information and will need more guidance and specifications on methods and parameters. The outcome of the QIS should be carefully taken into account by EIOPA regarding its final advice.</p> <p>Furthermore, one QIS might not be sufficient to find the right answers. Therefore additional testing might be required.</p>	

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Q12.	<p>Insurance Europe agrees with the principle to value a maximum value of sponsor support. In theory the suggested methodology seems reasonable. Unfortunately, the needed information is in general not easy to asses and – in case of many sponsors – to aggregate. Especially for multi-employer IORP it seems impossible to get all necessary information.</p> <p>For a multi-employer IORP there might be also a lot of unrated employers. To set all them to a default rating of CCC might not be appropriate. However an individual explanation why another classification is reasonable might be not feasible. It should be also possible for valuating on a portfolio of sponsors.</p>	
Q13.	<p>Insurance Europe strongly welcomes this approach as it considers it most appropriate and important that the specific features addressing the liabilities with a long-term nature - will be appropriately tested. This could also help to assess the adequacy if the latest proposals for long term guarantee products as under discussion in Solvency II. However, it is very important that solutions are applied both to pension funds and insurers providing products with a long term guarantee.</p> <p>The Commission, Council and European Parliament are currently discussing the issues for insurers providing long-term guarantees in the context of the Omnibus II Directive. The outcomes of these discussions should be the basis in the final technical specifications of the QIS.</p>	
Q14.	<p>Insurance Europe believes that the proposed way to derive a level B discount rate is not suitable to calculate an appropriate value for the technical provisions. It would be contrary to the basic valuation principles mentioned in section 2.3 and in EIOPA’s answer to the Call for Advice. Especially, the principle of a market-consistent valuation is not fulfilled.</p> <p>Insurance Europe believes that alternatives to the market consistent valuation should be discussed and developed within the Solvency II framework. Insurers providing</p>	

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	long-term guarantees face the same difficulties as IORPs.	
Q15.	<p>The future inflation assumption used in the calculations should be consistent with the target inflation for each currency’s central bank. These assumptions cannot be the same for all member states. It should allow for the national trends in salary increases and inflation.</p> <p>Insurance Europe believes that the salary increases should reflect the expected salary increases of a company. It is also unclear whether the salary increase is already taken into account the expected inflation or is coming on top of it.</p> <p>Furthermore, equalising the expected salary increases for the whole Eurozone does not seem to be appropriate or consistent in a prudent framework. For example in Belgium, the long term salary increase rate is similar to the expected inflation rate due to its salary indexation mechanism. It should be also clarified whether and how a career has to be included into the salary increase.</p> <p>Insurance Europe would therefore consider an adjustment for inflation implied by financial markets as reasonable.</p>	
Q16.	A first impression is that the general principles seems reasonable and are building on Solvency II principles. However, it is difficult to assess whether the principles would be appropriate for IORPs since it is not defined what would be a result of breach of the SCR and the MCR.	
Q17.	IORPs and insurers providing occupational pension business face similar risks. Therefore similar risks should be considered in the calculation of the SCR.	
Q18.	Theoretically the proposals might be a good starting point to take into account the loss absorbing capacity of different security mechanisms. However, from a practical point	

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	of view it is quite unclear how to do the evaluations. Therefore more guidance and pre-settings are required.	
Q19.	It should be tested in the QIS. The outcome of the QIS should be carefully taken into account by EIOPA regarding the final advice	
Q20.	It should be tested in the QIS. The outcome of the QIS should be carefully taken into account by EIOPA regarding the final advice	
Q21.	It should be tested in the QIS. The outcome of the QIS should be carefully taken into account by EIOPA regarding the final advice	
Q22.	It should be tested in the QIS. The outcome of the QIS should be carefully taken into account by EIOPA regarding the final advice	
Q23.	It should be tested in the QIS. The outcome of the QIS should be carefully taken into account by EIOPA regarding the final advice	
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I.2.1.		
I.2.2.		
I.2.3.	Insurance Europe wants to stress that in some member states, occupational pensions are also often provided by insurance undertakings. It should be reminded here that occupational pensions are the benefits provided by a pension scheme, and that	

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	<p>insurance companies and pension funds, including IORPs, are the providers of these schemes. Therefore, it makes no sense to emphasise that occupational pensions and insurance companies are not identical. Insurance Europe therefore suggests redrafting the sentence as follows:</p> <p><i>EIOPA’s advice emphasises that pension funds occupational pension and insurance companies are not identical and that the economically significant differences will sometimes merit different approaches.</i></p>	
I.2.4.		
I.2.5.		
I.2.6.		
I.3.1.		
I.3.2.		
I.4.1.		
I.4.2.	<p>Insurance Europe wishes to emphasise that all issues considered to be of a political nature should be addressed at level 1.</p>	
I.4.3.	<p>In correspondence with the Insurance Europe remark on I.4.2, Insurance Europe believes that any area that is considered political should be solved at level 1, even if they would normally be specified in level 2 implementing measures.</p>	
I.4.4.	<p>Insurance Europe believes that the adoption of simplifications should not depend on the nature of the pension system, but should be a combination of the nature, the scale and the complexity of the risks of these pension systems as EIOPA correctly indicated in the topic on proportionality (PRO.3.14)</p>	

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I.4.5.	<p>Insurance Europe understands that the draft specifications in this document have been developed by making use of the latest technical specifications for Solvency II. However, in some cases the draft does not uses the latest draft implementing measures for Solvency II. I as at 31.10.2011.</p> <p>Additionally, given the on-going discussions on Solvency II at Council and European Parliament, Insurance Europe would suggest including the latest specifications, especially, since the changes proposed to the Solvency II framework directive might have a big impact on products offering long term guarantees, including occupational pension products. This has also been indicated in I.5.6 and HBS.8.14.</p>	
I.4.6.		
I.4.7.		
I.4.8.	<p>Insurance Europe agrees with EIOPA that the value of the adjustment and security mechanisms will depend on the IORPs’ actual funding level.</p>	
I.4.9.		
I.4.10.		
I.4.11.		
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I.4.21.		
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I.7.2.		
I.7.3.		
I.7.4.		
I.7.5.		
I.8.1.		
I.8.2.	Insurance Europe wishes to stress the importance of drawing the correct conclusions from the results. Further testing may be needed to ensure new concepts like the sponsor covenant and pension protection scheme are accurately reflecting the economic reality faced by IORPs	

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I.8.3.		
I.8.4.		
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I.9.1.		
I.9.2.		
I.9.3.		
I.10.1.		
I.10.2.		
I.10.3.		
I.10.4	<p>Insurance Europe understands the extremely short consultation period set by EIOPA is a consequence of the ambitious calendar of the Commission for the review of the IORP Directive. Insurance Europe wishes to highlight however that the consultation period does not allow for a thorough assessment of the extremely complex issues being discussed. Therefore, Insurance Europe believes that there should be an on-going discussion on the capital requirements and the valuation of the security mechanisms and adjustment mechanisms of IORPs. Furthermore, there should be additional time for additional testing if the results of the QIS would show its necessity.</p>	
I.11.1		
HBS.1.1.		
HBS.2.1.		
HBS.2.2.		
HBS.2.3.		

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HBS.2.4.		
HBS.2.5.		
HBS.2.6.		
HBS.2.7.		
HBS.2.8.	It is difficult to assess what are hybrids without a clear definition of “defined benefits”. In some markets a defined contribution scheme with a minimum guarantee could be considered a “defined benefit scheme” while in other markets it could be considered as a “hybrid”. Therefore, Insurance Europe believes that to achieve consistency between the different markets, a definition of what EIOPA assesses to be a “defined benefit” scheme should be included.	
HBS.3.1.	Insurance Europe stresses that best estimate should be calculated in a transparent manner and in such a way as to ensure that the calculation method and the results that derive from it can be reviewed by EIOPA. This seems to be easiest when showing all the economically significant particularities of IORPs as assets in the HBS.	
HBS.3.2.		
HBS.3.3.		
HBS.3.4.		
HBS.3.5.		
HBS.3.6.		
HBS.3.7.	IORPs might use life insurance contracts as investments. It should be clarified that these investments should be treated as normal assets with an appropriate rating. (See also HBS 7.1)	
HBS.3.8.		

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HBS.3.9.		
HBS.3.10.		
HBS.3.11.		
HBS.3.12.		
HBS.3.13.		
HBS.3.14.		
HBS.3.15.		
HBS.3.16.		
HBS.3.17.		
HBS.3.18.		
HBS.3.19.		
HBS.3.20.		
HBS.3.21.		
HBS.3.22.	HBS.3.22 – 3.28: More clarification is necessary about which management actions to consider.	
HBS.3.23.		
HBS.3.24.		
HBS.3.25.		
HBS.3.26.		
HBS.3.27.		
HBS.3.28.		
HBS.3.29.		
HBS.4.1.		
HBS.4.2.		

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HBS.4.3.		
HBS.4.4.		
HBS.4.5.		
HBS.4.6.		
HBS.4.7.		
HBS.4.8.	Insurance Europe suggests EIOPA to provide advice on which future cash flows to take into account. This should be consistent with the approach taken in Solvency II for group insurance contracts.	
HBS.4.9.	Insurance Europe suggests EIOPA to provide advice on which future cash flows to take into account. This should be consistent with the approach taken in Solvency II for group insurance contracts. HBS 4.12 Clarification about “possibility” (footnote 4) is necessary.	
HBS.4.10.		
HBS.4.11.		
HBS.4.12.		
HBS.4.13.		
HBS.4.14.		
HBS.4.15.		
HBS.4.16.	As indicated in its comments on HBS.4.8 & HBS.4.9, Insurance Europe suggests EIOPA to provide advice on which future cash flows to take into account. This should be consistent with the approach taken in Solvency II for group insurance contracts.	
HBS.4.17.		
HBS.4.18.		

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HBS.4.19.		
HBS.4.20.		
HBS.4.21.		
HBS.4.22.		
HBS.4.23.	<p>This comment covers HBS 4.23 to HBS 4.44: On discretionary and conditional benefits it should be made clear from the beginning of this section that surplus funds as exempt by Solvency II are not included in the discussions on how to value technical provisions, as such funds should be treated as assets and not liabilities. See in particular HBS 4.44 on valuation, a similar statement should be made earlier in the section on benefits to avoid uncertainty.</p> <p>Even when giving some explanations of the new definitions (unconditional benefits, pure conditional benefits, pure discretionary benefit and mixed benefits) more information or examples should be provided to avoid different interpretations.</p>	
HBS.4.24.		
HBS.4.25.		
HBS.4.26.		
HBS.4.27.		
HBS.4.28.		
HBS.4.29.	<p>Insurance Europe agrees that a benefit can only be characterised as a conditional benefit if members and beneficiaries have a legally enforceable expectation about the granting of the benefits along the lines of the (specified or perceived) policy.</p>	
HBS.4.30.	<p>If mixed benefits would be considered as discretionary Insurance Europe believes that they should be taken into account in the technical provision on the basis of their conditional part and the expected managerial actions should be taken into account for</p>	

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	the discretionary part.	
HBS.4.31.		
HBS.4.32.	In line with HBS.3.22 where future management actions should be taken into account, Insurance Europe believes that discretionary benefits should be treated similarly.	
HBS.4.33.		
HBS.4.34.	<p>Insurance Europe believes that in case discretionary benefits would be excluded from the technical provisions or even mixed benefits, there is a chance that many providers will add a discretionary element or change their pension scheme to avoid the inclusion of them in the calculations of the technical provisions. Insurance Europe would therefore suggest to EIOPA to also assess the qualitative impact of the three options specified by EIOPA.</p> <p>For the purpose of the QIS, Insurance Europe suggests to take option 1. The value of the liabilities under the options 2 and 3 should be calculated separately and shown as potential assets in the HBS. Based on the QIS' results, this will make further discussion easier on which option to include in the revised directive (or to delegate it to national discretion depending on national social and labour law).</p>	
HBS.4.35.		
HBS.4.36.		
HBS.4.37.		
HBS.4.38.	The incorporation of stochastic elements of non-financial risk-drivers in an exhaustive way is too extensive and not practicable.	

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HBS.4.39.		
HBS.4.40.		
HBS.4.41.		
HBS.4.42.		
HBS.4.43.		
	See comment above on HBS 4.23.	
HBS.4.44.		
	Insurance Europe fully agrees that the loss absorbing capacity of pure conditional benefits directly follows from the objective conditions applicable while the loss absorbing capacity of pure discretionary benefits and mixed benefits is equal to their value. This should also be reflected in the SCR calculations.	
HBS.4.45.		
HBS.4.46.		
HBS.4.47.		
	Insurance Europe believes that the value of the option in a) should be between the actual value of the pension protection scheme and the actual value of the sponsor support including default risk.	
HBS.4.48.		
	Insurance Europe believes that ex-post benefit reductions should be shown as an additional asset and not as a liability reduction in the QIS. Additionally more explanation and examples are appreciated.	
HBS.4.49.		
	Insurance Europe sees no benefit in excluding ex post benefit reductions from the best estimate calculations of the technical provisions. However, Insurance Europe agrees that it is hard to assess the actual value of these benefit reductions. Therefore,	
HBS.4.50.		

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	Insurance Europe would suggest including only those benefit reductions of the last resort which are based on legally binding conditions. This would help assessing its value.	
HBS.4.51.		
HBS.4.52.		
HBS.4.53.		
HBS.4.54.		
HBS.4.55.		
HBS.4.56.		
HBS.4.57.		
HBS.4.58.		
HBS.4.59.		
HBS.4.60.		
HBS.4.61.		
HBS.5.1.		
	Insurance Europe is wondering on what basis the percentage applied to the level A best estimate technical provisions was determined at 8% as a proxy for the calculation of the risk margin.	
HBS.5.2.		
HBS.5.3.		
HBS.5.4.		
HBS.5.5.		
HBS.6.1.	Valuation of components beyond the sphere of the IORP itself is a big challenge for IORPs. Data and parameters from sponsors and pension protection schemes might not be publicly available and the IORP should not have the responsibility for completing	

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	<p>these missing figures. Therefore EIOPA has to fill these gaps or to delegate the discussion about the completion of the figures to the national supervisors. The QIS' results should give further insight where IORPs have lack of information and will need more guidance and specifications on methods and parameters.</p> <p>Furthermore, reporting data from the sponsor are usually local GAAP or IFRS figures. However, they are not from an economic balance sheet which uses consistent interest rates for valuation for solvency purposes. If there are no original data on cash-flows or assets of the sponsor available that follow the valuation principles taken for the IORPs. The proposed calculations would therefore require a revaluation which hardly can be performed by the IORP.</p>	
HBS.6.2.		
HBS.6.3.		
HBS.6.4.		
HBS.6.5.	<p>More explanations and examples on contingent assets of the sponsor would be appreciated.</p>	
HBS.6.6.		
HBS.6.7.		
HBS.6.8.		
HBS.6.9.		
HBS.6.10.		
HBS.6.11.		
HBS.6.12.		
HBS.6.13.		

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HBS.6.14.		
HBS.6.15.		
HBS.6.16.	<p>The specification of reasons for deviation from the 4.175% probability of default requires an individual assessment by the IORP. On the one hand this will require an additional effort for the IORP and on the other hand the IORP will also be responsible for the proof. Especially for multi-employer IORPs evaluation of employers' portfolios is almost impossible.</p> <p>For the purpose of the QIS we therefore propose to provide a unique figure for the probability of default. Alternatively a formula/tool which calculates the figure depending on the number/size of the sponsors should be provided.</p> <p>We expect that the default probability of a portfolio of many (unrated) employers is not much different from the default probability of a good rated employer. Since ratings can change in time this has to be taken into account when deriving a default probability from the rating.</p>	
HBS.6.17.		
HBS.6.18.		
HBS.6.19.		
HBS.6.20.	It is unclear what is meant with "the IORP should perform the calculation as if it was not limited in this way (the limit or the condition?) but the value should be reported as relating to "limited conditional sponsor support".	
HBS.6.21.		
HBS.6.22.		
HBS.6.23.		
HBS.6.24.	Usage of own valuation techniques of the IORP would lead to an additional burden for	

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	the IORP and to arbitrariness. Alternative methods could be defined at national level by the national supervisors, at least for the purpose of this QIS.	
HBS.6.25.		
HBS.6.26.		
HBS.6.27.		
HBS.6.28.	<p>Insurance Europe questions how to achieve realistic assumptions about future gains of the sponsor and how this could be checked by the supervisors. Furthermore, it is unclear how to assess the future profits of non-for profit organisations. They too can offer pension provisions for their employees.</p> <p>An alternative approach here would be to take into account the surplus rather than the profit and to also include reserves in the maximum value for the sponsor support.</p>	
HBS.6.29.	The calculation of the first component for the purpose of the maximum value of sponsor support might not be possible as often sponsors don't have an economic balance sheet. Therefore they cannot provide the economic excess of assets over liabilities to the IORP.	
HBS.6.30.		
HBS.6.31.		
HBS.6.32.		
HBS.6.33.		
HBS.6.34.	Where the legal nature of the sponsor support means that the sponsor has the opportunity to choose to no longer provide support, Insurance Europe believes that a different simulation should be performed. In cases where the support of a sponsor would be conditional, then the conditional elements should be taken into account. In	

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	case the support of the sponsor would not be legally binding and its commitments only come from sponsor behaviour, then no amounts of sponsoring support should be taken into account.	
HBS.6.35.	<p>Insurance Europe believes that this type of simplification does not work. It includes a lot of arbitrariness as the IORP is the responsible for its reasoning. Moreover, Insurance Europe believes that larger employers are not representative. For example, a multi-employer IORP with 10 indexed big companies (all rated), 100 larger medium-size companies (thereof 5 with a rating) and 200 medium crafts enterprises (no one with a rating).</p> <p>Insurance Europe believes that the results can only be grossed up for all employers in case this could be demonstrated or objectively measured, rather than “seen as”.</p>	
HBS.6.36.	<p>Insurance Europe assesses this as a rather strong simplification. Especially, additional guidance is required on how to calculate the expected net profits.</p> <p>Furthermore, Insurance Europe thinks that regarding the EC_t (iii) for the future years, the figure should be increased by inflation to year ‘d’ rather than year ‘t’.</p>	
HBS.6.37.		
HBS.6.38.		
HBS.6.39.		
HBS.6.40.	Without the tool and further analysis and testing of the influence of the parameters, no final comments on the quality of the results and the calibration can be made.	
HBS.6.41.		

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HBS.6.42.	<p>Regarding the relative standard deviation of assets, Insurance Europe believes that a value of 30% is underestimating the actual deviation. As such Insurance Europe believes that a sensitivity analysis is very important when assessing the results.</p> <p>It is unclear how to calculate the standard deviation from the technical provisions. Therefore, Insurance Europe believes that a sensitivity analysis is very important when assessing the results.</p>	
HBS.6.43.		
HBS.6.44.		
HBS.6.45.		
HBS.6.46.		
HBS.6.47.		
HBS.6.48.	<p>The individual setting of the recovery rate will be different from 50%. Furthermore, arguments for this deviation require additional effort of the IORP. Moreover, it might lead to arbitrariness of the results.</p> <p>Without the tool and further analysis and testing of the influence of the parameters, no final comments on the quality of the results and the calibration can be made.</p>	
HBS.6.49.		
HBS.6.50.		
HBS.6.51.		
HBS.6.52.		
HBS.6.53.		
HBS.6.54.		
HBS.6.55.		

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HBS.6.56.		
HBS.6.57.		
HBS.6.58.	Insurance Europe does not consider the valuation of the sponsor covenant as an ancillary own fund risk based. Therefore, it should not be used.	
HBS.6.59.		
HBS.6.60.	The value of pension protection schemes has to be included as an asset on the holistic balance sheet. As pension protection schemes are designed differently in the different member states, at least for the purpose of this QIS, it should be detailed on national level which pension protection mechanisms to include, reflecting the economic reality.	
HBS.6.61.		
HBS.6.62.		
HBS.6.63.		
HBS.6.64.		
HBS.6.65.	Insurance Europe wants to highlight that not all pension protection schemes are similar, including those for insurance and IORPs. . Comparable pension protection schemes should be treated in a comparable way in order to avoid an unlevel playing field between different institutions providing occupational pensions. According to Insurance Europe, at least for the purpose of this QIS, it should be detailed on national discretion which pension protection mechanisms to include.	
HBS.6.66.		
HBS.6.67.		
HBS.6.68.	As indicated in HBS.6.65, Insurance Europe believes that there exist many different types of pension protection schemes. Therefore, Insurance Europe believes that there are more options to take into account of the valuation. For example, a pension protection scheme can make a pay-out to an IORP before the sponsor actually defaults	

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	or a reduction in the benefit provision based on the status of the pension protection fund.	
HBS.6.69.		
HBS.6.70.		
HBS.6.71.	<p>Insurance Europe agrees that when the pension protection scheme would cover 100% of the benefits and it is sufficiently strong, its value is equal to the funding gap that would appear in the holistic balance sheet. However, Insurance Europe questions how to objectively assess the strength of the pension protection scheme. Moreover, it should also be defined what is understood under “sufficiently”.</p> <p>The gap closing ability of pension protection schemes should be restricted to the parts of the IORP where the pension protection scheme is effective. For example, in some member states pension protection schemes are limited to the maximum amount of benefits, or some beneficiaries of the IORP are excluded due to special rules of labour law. In that case it is most appropriate to separate the business in the parts where the pension protection scheme is effective –and apply HBS 6.71 to that part.</p> <p>The evaluation of the strength of a pension protection scheme however might be different for the best estimate calculation and for the SCR calculation (see SCR 2.6).</p>	
HBS.6.72.		
HBS.6.73.		
HBS.6.74.		
HBS.6.75.	In combination with HBS.6.68, Insurance Europe would question if a scheme only pays in case of an actual default of the sponsor.	

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HBS.6.76.		
HBS.6.77.		
HBS.6.78.		
HBS.6.79.	For transparency reasons in this QIS, Insurance Europe suggests showing sponsors support and the effect of pension protection scheme separately as assets in the HBS	
HBS.6.80.		
HBS.6.81.		
HBS.6.82.		
HBS.6.83.		
HBS.6.84.		
HBS.6.85.		
HBS.6.86.		
HBS.6.87.		
HBS.6.88.		
HBS.6.89.	Insurance Europe stresses that t shall completely depend on the nature of the pension protection scheme to determine whether it can be taken into account. Comparable pension schemes with those of insurance companies should be treated in a comparable way for IORPs in order to avoid an unlevel playing field between different institutions providing occupational pensions.	
HBS.6.90.		
HBS.7.1.	Regarding the treatment of recoverables from insurance contracts we would recommend that products as for example the German "Rückdeckungsversicherungen" are not subject to counterparty default risk, since: <ul style="list-style-type: none"> - The counterparty is an insurance company regulated by Solvency II with a confidence level of 99,5%; 	

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	<ul style="list-style-type: none"> - The additional protection schemes available should be taken into account in case of insolvency of these insurance companies ; - Technical provisions, according local GAAP, are highly protected under national law and have priority in case of insolvency. 	
HBS.7.2.		
HBS.7.3.		
HBS.7.4.		
HBS.7.5.		
HBS.7.6.		
	<p>The technical specifications state that the calculation of the amounts recoverable from (re)insurance contracts and special purpose vehicles should only take into account payments in relation to compensation of pension obligations. Insurance Europe wants to highlight that it is unclear what is meant with "pension obligation". In many cases, pension schemes also offer protection against death or premium waivers. In some cases, even disability is taken into account. It is unclear whether these should be taken into account in the definition of "pension obligation".</p> <p>Insurance Europe would strongly suggest that these should be taken into account when reinsured to have a correct view of the financial situation of the entity.</p>	
HBS.7.7.		
HBS.7.8.		
HBS.7.9.		
HBS.7.10.		
HBS.7.11.		
HBS.7.12.		
HBS.7.13.		
HBS.7.14.		

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HBS.7.15.		
HBS.7.16.		
HBS.7.17.		
HBS.7.18.		
HBS.7.19.		
HBS.7.20.		
HBS.7.21.		
HBS.7.22.		
HBS.7.23.		
HBS.7.24.		
HBS.7.25.		
HBS.7.26.		
HBS.7.27.		
HBS.7.28.		
HBS.7.29.		
HBS.7.30.		
HBS.7.31.		
HBS.7.32.		
HBS.7.33.		
HBS.7.34.		
HBS.7.35.		
HBS.7.36.		
HBS.7.37.		
HBS.7.38.		
HBS.7.39.		
HBS.7.40.		

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HBS.7.41.		
HBS.7.42.		
HBS.8.1.	<p>The calculation of the technical provisions should be with a level A discount rate only. The discounting method of expected cash-flows should be the same as in Solvency II. In particular the extrapolation method is essential for the long term business of IORP's. Discounting rates derived by level B method in a low-interest-rate phase are not adequate for the long term character of IORP liabilities</p>	
HBS.8.2.		
HBS.8.3.		
HBS.8.4.		
HBS.8.5.		
HBS.8.6.	<p>HBS.8.6 – 8.8: Generally, it must be ensured that the same solutions apply to both the IORPs and Insurers. In line with our positions on Solvency II, we have the following view on the various elements:</p> <p>We believe that a convergence period of 10 years to the UFR instead of the 40 years suggested in this consultation is more appropriate. As a general point, the extrapolation methodology should not introduce artificial volatility in itself. In this context, having a 10 year convergence period would ensure a stable interest rate term structure over time for those maturities which are ten years or more beyond the beginning of extrapolation. Additionally, the choice of a 10 year convergence period would better reflect the current Omnibus II trialogue discussions.</p> <p>We note that the speed of convergence set at 0.1 in these specifications should be in line with the convergence period. Consequently we understand that this is the starting point for calibration and should be adapted to be consistent with the maximum period of convergence.</p>	

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	<p>Regarding the ultimate forward rate (UFR), it is important that a solution depending on currencies, or at least on buckets of currencies, is implemented, as historic inflation (as well as inflation targets of central banks) and historic growth rates depend on currencies.</p> <p>Also, the use of swap mid rates instead of swap bid rates would be more appropriate in our view, since:</p> <ul style="list-style-type: none"> - The position of an undertaking might not always be that of a fixed rate receiver. - This is a market standard; hence technical provisions should be valued using mid rates in order to avoid inconsistencies between the valuation of assets and liabilities. Also, from an ALM perspective, mid rates seem more appropriate. <p>We also note that the speed of convergence is set at 0.1. We understand that this is the starting point for calibration and that it should be changed to be consistent with the maximum period of convergence.</p> <p>Regarding the ultimate forward rate (UFR), it is important that a solution depending on currencies, or at least on buckets of currencies, is implemented, as historic inflation (as well as inflation targets of central banks) and historic growth rates depend on currencies.</p> <p>On all these issues, it must be ensured that such solutions should apply both the IORPs and Insurers and that solutions found should be addressed within the context of Solvency II.</p>	
HBS.8.7.	Generally, it must be ensured that the same solutions should apply to both the IORPs	

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	<p>and Insurers.</p> <p>In line with our positions on Solvency II, we believe that the future inflation assumption used in the calculations should be consistent with the target inflation for each currency’s central bank. These assumptions cannot be the same for all member states. It should allow for the national trends in salary increases and inflation.</p>	
HBS.8.8.		
HBS.8.9.		
HBS.8.10.		
HBS.8.11.		
HBS.8.12.	<p>We note that the CCP is tested without considering a CCP risk module. We welcome this approach, as if there was such a module, the CCP risk module should be negatively correlated with other market risk modules to reflect the fact that the CCP is a counter-cyclical tool which is activated when financial markets come under stress. Therefore, for simplicity reasons, we welcome not to include a CCP risk sub-module altogether.</p> <p>However, as a CCP risk module is currently considered in Solvency II, it must be ensured that such solutions should apply both the IORPs and Insurers and that solutions found should be addressed within the context of Solvency II.</p> <p>Additionally it would be helpful to provide clarity on how the level of 50bps was determined as it seems to be very low in the current market conditions.</p>	
HBS.8.13.	<p>We welcome that EIOPA will develop approximations for the calibration of the fundamental spread for the matching premium and would welcome to have more</p>	

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	insight in the technical work carried out.	
HBS.8.14.		
HBS.8.15.	As the sensitivity analysis can be provided by the interest rate risk module, Insurance Europe does not see the use to test separate 50bps up and down shifts of the interest rate term structure.	
HBS.8.16.	HBS.8.16 – HBS.8.21: It is important that the same underlying principles apply to IORPs and Insurers. Therefore Insurance Europe does not see the use to test the “level B discount rate” based on the expected return as such a solution is not being considered in the Solvency II framework. The matching premium mechanism is in our view a more reliable way to achieve the same objective of recognising that insurers and IORPs can mitigate spread risk through their liability features and investment strategy.	
HBS.8.17.		
HBS.8.18.	Insurance Europe does not understand the distinction being made between corporate bonds and bonds issued by banks. In our understanding, corporate bonds include bonds issued by banks	
HBS.8.19.		
HBS.8.20.		
HBS.8.21.		
HBS.8.22.		
HBS.8.23.	The future inflation assumption used in the calculations should be consistent with the target inflation for each currency’s central bank. These assumptions cannot be the	

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	<p>same for all member states. It should allow for the national trends in salary increases and inflation.</p> <p>In any case it is important to apply a similar approach for pension funds and insurers providing long term products.</p>	
HBS.8.24.	<p>Insurance Europe believes that the salary increases should reflect the actual expected salary increases of a company. It is also unclear whether the salary increase is already taken into account the expected inflation or is coming on top of it.</p> <p>Furthermore, equalising the expected salary increases for the whole Eurozone does not seem to be appropriate or consistent in a prudent framework. For example in Belgium, the long term salary increase rate is similar to the expected inflation rate due to its salary indexation mechanism.</p>	
HBS.9.1.		
HBS.9.2.		
HBS.9.3.		
HBS.9.4.		
HBS.9.5.		
HBS.9.6.		
HBS.9.7.		
HBS.9.8.		
HBS.9.9.		
SCR.1.1.	<p>In general, it seems that parts of the SCR section are based on earlier versions of Solvency II. This is for example the case for the spread risk submodule. In our view, this section should be based on the latest available draft Level 2 implementing</p>	

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	<p>measures from October 2011.</p> <p>Additionally the wording should be as aligned as possible to ensure consistency with Solvency II, eg the Solvency II lapse risk submodule is renamed Pension benefit option risk submodule.</p>	
SCR.1.2.		
SCR.1.3.		
SCR.1.4.		
SCR.1.5.		
	<p>It is unclear whether risks such as disability benefits or premium waiver should be included in the pension liability risk module or in the health risk module. A list of examples which risks would be covered by with module could be very helpful in this regard.</p>	
SCR.1.6.		
SCR.1.7.		
SCR.1.8.		
SCR.1.9.		
SCR.1.10.		
SCR.1.11.		
SCR.1.12.		
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SCR.1.18.		
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SCR.1.24.		
SCR.1.25.		
	<p>SCR.2.1 – SCR.2.7: The valuation of the loss-absorbing capacity within the risk modules should be explained in more detail.</p> <p>For the IORPs, it is difficult to assess the loss-absorbing capacity of components of the HBS where they have real concerns how to value them for the best estimate. Sponsors and pension protection schemes had to be valued under the shocked scenarios where no data will be available.</p> <p>Some of the issues have to be clarified on national level because of the particularities of national law, at least for the purpose of this QIS.</p>	
SCR.2.1.		
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SCR.2.9.		

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SCR.2.10.	Insurance Europe stresses that sponsor backup should only be taken into account if the back-up is legally enforceable.	
SCR.2.11.		
SCR.2.12.		
SCR.2.13.		
SCR.2.14.		
SCR.2.15.		
SCR.2.16.		
SCR.2.17.		
SCR.2.18.	As EIOPA correctly indicated loss absorbing mechanisms of the technical provisions and the security mechanisms do not operate independently. In case where both are possible, the will not be applied both for 100%. Insurance Europe believes that this should be taken into account when assessing the results.	
SCR.2.19.	Having an explanation what the acronym DCL stands for would help in understanding its meaning.	
SCR.2.20.		
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SCR.3.5.		
SCR.3.6.		
SCR.4.1.		
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SCR.5.1.		
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SCR.5.7.		

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SCR.5.8.		
SCR.5.9.		
SCR.5.10.		
SCR.5.11.		
SCR.5.12.		
SCR.5.13.	It is too burdensome to shock a mutual fund according to a maximum capital consumption allocation. It should be allowed to the IORPs to use the actual allocation at valuation date because for other assets, a maximum capital consumption reinvestment strategy is not mandated when calculating market risk.	
SCR.5.14.		
SCR.5.15.		
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SCR.5.17.		
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SCR.5.20.		
SCR.5.21.		
SCR.5.22.	Insurance Europe would suggest that the interest rate scenarios for SCR interest rate risk used the extrapolation method to determine the stresses for maturities for the extrapolated part of the curve. That would give incentives for sound risk management. Otherwise it will be impossible to manage risks according to SCR and the actual changes of technical provisions at the same time. However, it must be ensured that such solutions should apply both the IORPs and Insurers and that solutions found should be addressed within the context of Solvency II.	
SCR.5.23.		

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SCR.5.45.		
SCR.5.46.	SCR.5.46 – SCR.5.47: Insurance Europe suggests replacing the distinct 12 year duration limit (for use of the equity duration-based approach) with a gradual transition, where increased duration leads to reduced SCR Equity stress. For example duration buckets of five years could be used. However, it must be ensured that such solutions should apply both the IORPs and Insurers and that solutions found should be	

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	addressed within the context of Solvency II.	
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SCR.5.70.		
SCR.5.71.		
SCR.5.72.		
	<p>In case the assets are hold to mature due to the nature of the underlying liabilities, a matching premium must be included in the calculations of the spread risk as this will be highly reduced; ie only default risk remains. As such, Insurance Europe highly welcomes EIOPAs intentions to test the matching premium in the context of the QIS. However, it must be ensured that such solutions should apply both the IORPs and Insurers and that solutions found should be addressed within the context of Solvency II. In addition, further testing for IORPs might be needed to check whether these mechanisms are appropriate given the differences between IORPs and Insurance Companies.</p>	
SCR.5.73.		
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SCR.5.88.		
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SCR.5.90.		
SCR.5.91.		
SCR.5.92.		
	The spread risk should be treated the same regardless of whether such debt is issued in EURO or in another EEA currency. For countries like eg. Sweden and Norway with a relatively low outstanding national debt, debt issuance in SEK and NOK by EURO countries can be an important asset source for duration purposes.	
SCR.5.93.		
SCR.5.94.		
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SCR.5.128.		
SCR.5.129.		
SCR.5.130.		
SCR.5.131.		
SCR.6.1.	<p>Regarding the treatment of recoverables from insurance contracts we would recommend that products as for example the German "Rückdeckungsversicherungen" are not subject to counterparty default risk, since</p> <ul style="list-style-type: none"> - The counterparty is an insurance company under Solvency II supervisory with a confidence level of 99,5%; 	

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	<ul style="list-style-type: none"> - The additional protection schemes available should be taken into account in case of insolvency of these insurance companies ; - Technical provisions, according local GAAP, are highly protected under national law and have priority in case of insolvency. 	
SCR.6.2.		
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SCR.7.1.		
SCR.7.2.		
SCR.7.3.		
	<p>One of the risks that is often covered by the pension schemes is the premium waiver. This is a cover to fully pay the amounts as foreseen in the contract, in case of disability or illness of the employee. It is unclear where to include this cover: under disability, benefit option or even the health risk module.</p>	
SCR.7.4.		
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SCR.7.35.		
SCR.7.36.	It is unclear how to assess the difference between recurring payments as a result of disability-morbidity risk and financial compensation as a result of a "health insurance obligation". Examples of both could help to value the right risks with the right modules.	

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SCR.8.1.		
SCR.8.2.		
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SCR.8.4.		
SCR.8.5.	As indicated in the disability-morbidity risk sub module, Insurance Europe believes that there should be more guidance for which obligations of IORPs, including risks as health risks, would be more appropriate.	
SCR.8.6.		
SCR.8.7.		
SCR.9.1.		
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MCR.2.4.		
	The CAR is based on a contractual base (“in relation to each contract”). Such a detailed contractual calculation is complex and seems to be not feasible for lots of IORP. Considering that suitable model points can be used for cash-flow projections (section 2.4 - HBS 4.4) – which make perfectly sense from our point of view - it is not meaningful and helpful to require contract-based calculation for CAR. (The similar approach in the Solvency II framework causes already some difficulties.)	
MCR.2.5.		
MCR.2.6.		
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MCR.2.8.		
MCR.2.9.		
PRO.1.1.		
	Insurance Europe believes that it is appropriate that proportionality should be assessed, based on the nature, scale and complexity of the underlying risks. However, using simplified methods increases the risk of model error. Therefore, the use of simplified methods should incorporate the degree of conservatism which is necessary to result in the same level of calibration/protection of beneficiaries.	
PRO.2.1.		
PRO.2.2.		

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