Comments Template on EIOPA-CP 11/007 Draft proposal for Report on Good Practices for Disclosure and Selling of Variable Annuities		Deadline 03.01.2012 12:00 CET
Company name:	Munich Reinsurance Company, Munich, Germany	
Disclosure of comments:	EIOPA will make all comments available on its website, except where respondents specifically request that their comments remain confidential. *Please indicate if your comments on this CP should be treated as confidential, by deleting the word **Public** in the column to the right and by inserting the word **Confidential**.*	
	The paragraph numbers below correspond to the questions raised in the grey boxes of EIOPA Consultation Paper No. 11/007. **Please follow the instructions for filling in the template:** ⇨ Do **not** change the numbering in column "Reference", or any other formatting in the file. ⇨ Please fill in your comment in the relevant row. If you have no comment on a question, keep the row empty. Please do not delete rows in the table. ⇨ Our IT tool does not allow processing of comments which do not refer to the specific question numbers below. o If your comment refers to multiple questions, please insert your comment at the first relevant question and mention in your comment to which other questions this also applies. **Please send the completed template to CP_007@eiopa.europa.eu, in MSWord Format, (our IT tool does not allow processing of any other formats).**	
Reference	**Comment**	
General Comment	In our view it is indispensable that identical regulation is applicable to a) unit-linked insurance without guarantees and without minimum benefits and	***Public***

	b) unit-linked insurance <u>with</u> guarantees or minimum benefits, irrespective of technique with which the guarantee or minimum benefit is established (Variable Annuity, Constant Proportion Portfolio Insurance (CPPI), Option Based Portfolio Insurance (OBPI) or otherwise). In order to protect the policyholder interest through adequate disclosure, it is essential that in any case of promises made on unit-linked policies – either as legally binding guarantee or as an promise given by a third party – the policyholder information is subject to identical rules. A formal distinction, based a product classification between VAs and policies “which do not include a <u>guarantee by the insurance company</u>” appears as inapproporate in view of policyholder protection. Policyholder information should be very explicit about the level of legally binding guarantees. Moreover, disclosure of appropriate information on the guarantor where this is not the insurance undertaking is necessary.	
Q1.		
Q2.		
Q3.		
Q4.		
Q5.	Ideally, the life insurer provides the prospect (in the pre-contractual phase) as well as the policyholder (at each policy anniversary date during policy term) with <u>at least</u> the following illustrations: 1. The expected value (or median) of the predictive distribution of the maturity benefit	***Public***

	of the policy, i.e. "What is the expected value of the maturity benefit of this product?" The result of this illustration is hereafter referred to as the "expected outcome illustration". 2. An risk measure of the predictive distribution of the maturity benefit of the policy, i.e. "What is the expected value of the maturity benefit of this product in *p*% of the most unfavourable scenarios?". A typical value of the confidence level *p* could be 10%. The result of this illustration is hereafter referred to as the "unfavourable outcome illustration". The results of the illustrations are based on stochastic simulations rather than deterministic projections. Stochastic simulations are based upon realistic and reproducible assumptions relating to (real world) drift μ_{hist} and (real world) volatility σ_{hist}. The parameters shall reflect a sufficiently long history. Appropriate is a period which is equal to the (remaining) term of, at minimum 10 years. In those situations where historical data is not available, an appropriate benchmark shall be used. The assumptions relating to μ_{hist} and σ_{hist} shall be updated annually. Moreover, within all stochastic simulations, the life insurer shall take into account all risk, guarantee and expense charges, both on a policy level as well as on a fund level. The information provided to the prospect or policyholder needs to be independent of the product type, i.e. whether it is a VA insurance or an alternative form of guarantee. In particular, in case the guarantee or minimum benefit is established by means of CPPI techniques, the so called "cash-lock risk", if any, shall be reflected in an adequate way in the stochastic simulations leading to the predictive distribution of the maturity benefit.	
Q6.		
Q7.	The result of the "expected outcome illustration" and the "unfavourable outcome	***Public***

	illustration", taking into account realistic real world parameters μ_{hist} and σ_{hist}.	
Q8.	The result of the "unfavourable outcome illustration" expressed as a percentage of the sum of all premiums payable under the policy is a meaningful risk indicator that is easy to understand for the prospect or policyholder.	***Public***
Q9.		
Q10.		
Q11.		
Q12.		
Q13.		
Q14.		
Q15.		