	Comments Template on EIOPA-CP-14-065 **Draft proposal for Level 3 Guidance on valuation of assets and liabilities other than technical provisions**	**Deadline** **02.Mar.2015** **23:59 CET**
Company name:	Deloitte Touche Tohmatsu	
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.	Public

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- ⇨ Do **not** change the numbering in column “Reference”.
- ⇨ Please fill in your comment in the relevant row. If you have no comment on a paragraph, keep the row empty.
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  - o If your comment refers to multiple paragraphs, please insert your comment at the first relevant paragraph and mention in your comment to which other paragraphs this also applies.
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Please send the completed template to Consultation_Set2@eiopa.europa.eu, in MSWord Format, (our IT tool does not allow processing of any other formats).

The paragraph numbers below correspond to Consultation Paper No. EIOPA-CP-14-065.

Reference	**Comment**	
General Comment		
1.1.		
1.2.		
1.3.		
1.4.		

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1.5.		
1.6.		
1.7.		
1.8.		
1.9.		
1.10.		
1.11.		
1.12.		
1.13.		
1.14.		
1.15.		
Guideline 1	Could you please make the materiality principle more concrete in the context of the solvency II Balance Sheet? For example by giving a uniform reference parameter (e.g. Basic Own Funds) and a relevant relative threshold. This would ensure an uniform application of this principle. In addition it would be helpful to give some examples of the greater extent of estimates and estimation methods related to a quarterly measurement in differentiation from the annual measurement. The guidelines should clarify that it is the decision-making or judgment of the *intended* users that should govern the materiality considerations; that is, investors, policyholders, regulators et c. Also, it should be clarified what type of decisions EIOPA has in mind (i.e. economic decisions) similar to the IFRS Framework. The guidelines should state that the intention of EIOPA is to be fully aligned with the concept of materiality as described in IFRS so that undertakings do not have to apply two different defintions (i.e. one for financial reporting and one for regulatory reporting purposes).	
Guideline 2		
Guideline 3	Valuing the investment property as the maximum between selling or using it is actually a management action that should be clearly documented. It depends mostly on the strategy followed by the undertaking.	
Guideline 4	The guideline indicates that also for investment property a valuation not carried out at the reporting date is possible. We understand that this is a departure from IAS 40. We suggest that this should be	

	clearly mentioned for the avoidance of doubt. What adjustments do you expect from the companies to reflect changes between the valuation date and reporting date? The adjustments named by IAS 16? Depreciation and Impairment-Test?	
Guideline 5	The notion of benchmark interest rate is unclear as it might result in an important basis risk. Defining the credit spread at issuance, freezing it and determining the interest rate risk as the delta liabilities resulting from the shocked curve might be more appropriate. More clarity should be given in the top down approach as how to derive the value that is attributable to the change in credit standing.	
Guideline 6	We would recommend some proportionality on the adjustments to be done in accordance with IFRS to value the holding in related undertaking. We should avoid a situation where the derogation foreseen in article 9(4) of IM is not applicable in any circumstance.	
Guideline 7	When using the IFRS equity method the companies should make adjustments where needed to recognise and value assets and liabilities of the related undertaking in accordance with IFRSs. The decision tree shows that for subsidiaries there is no possibility to use an alternative valuation method. This means that for every non IFRS applying subsidiary a IFRS recognition and measurement must be implemented. To our mind means this a non reasonable burden for the undertakings, especially by considering the tough QRT-Balance-Sheet Deadlines. We suggest that the alternative valuation method is open to subsidiaries too when the adjusted equity methods are not practicable.	
Guideline 8	Current guideline formulation might lead to the conclusion that contingent liabilities should only be recognised as counterpart for approval for an ancillary own fund item. The contingent liability covers also other situations where guidance would be welcome.	
Guideline 9		
Guideline 10	In terms of the documentation requirements undertakings should be able to provide supervisory authorities (amongst others) with, at a minimum, information on the forecasting of the reversal of temporary differences. We think this is a non reasonable burden for the undertakings, an evidence of the temporary nature of the difference should be sufficient. In the context of Guideline 8 a detailed scheduling of the timing of the reversal of each temporary difference is in many cases be considered as impracticable or highly complex. This seems to be contradictory. We suggest to clarify whether the documentation required under guideline 10 based on BE scenario	

	only or also stressed scenarios to challenge the loss absorbing capacity of deferred taxes. Paragraph 15 of IAS 12 states those four cases where deferred taxes are not calculated on temporary differences, for example on transactions that are no business combinations and goodwill. The guidelines should clarify whether those four items apply when calculating deferred taxes under the Solvency 2 framework as well. This exemption often applies to investment property acquired as a non-business combination and where deferred taxes are not recognised on the temporary differences. With the prescribed Solvency 2 approach, this could have a potentially large impact on investment property if full deferred tax liability should be recognised on the entire temporary differences, as opposed to only on those arising after the acquisition, which is what IAS 12 states.	
Guideline 11		
Guideline 12		
Explanatory text Guideline 5		
Explanatory text Guideline 6/7	Adjusted equity and adjusted IFRS equity were previously mentioned at the same level for non-insurance holding. The new figure shows in line with art. 13 of IM that adjusted equity should be preferred. In line with proportionality, we would recommend to give the possibility to use adjusted IFRS equity if this information is already available and/or give guidance on main expected adjustments other than goodwill and intangible assets.	
Explanatory text Guideline 8		
Explanatory text Guideline 9		
Explanatory text Guideline 10	The explanatory text should clarify whether the intention of EIOPA is to align the requirements of the assessment of future taxable profits with IAS 12 p 34 – 36; for example IAS 12 has no reference to a “normal planning cycle of the undertaking” which solvency 2 does. Otherwise, it could be that undertakings have to make two separate assessments for this exercise.	
Explanatory text Guideline 11		
Explanatory text: Table consistency		

of IFRS valuation		
Technical Annex		
Annex I: Impact Assessment		