Comments Template on EIOPA-CP EIOPA-CP-14-049 Draft proposal for Level 3 Guidance on the implementation of the long term guarantees measures			Deadline 02.Mar.2015 23:59 CET
Company name:	Insurance Europe		
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	
	Please follow the instructions for filling in the template: ⇨ <u>Do **not** change the numbering</u> in column "Reference". ⇨ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph, keep the row <u>empty</u>. ⇨ Our IT tool does not allow processing of comments which do not refer to the specific paragraph numbers below. ○ 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. ○ If your comment refers to sub-bullets/sub-paragraphs, please indicate this in the comment itself. **Please send the completed template to <u>Consultation_Set2@eiopa.europa.eu</u>, <u>in MSWord Format</u>, (our IT tool does not allow processing of any other formats).** The paragraph numbers below correspond to Consultation Paper No. EIOPA-CP-14-049.		
Reference	**Comment**		
General Comment	Insurance Europe welcomes the opportunity to comment on the Guidelines on the implementation of the long-term guarantee adjustments and transitional measures. These Guidelines help to ensure harmonisation across Member States regarding the interaction of the LTG measures with the SCR and the MCR, the calculation of future discretionary benefits and risk margin where LTG measures are applied and the application of the transitional measures on the risk-		

	free interest rates and on technical provisions. However, we have the following issue of primary concern. For Guideline 7, we agree with EIOPA's approach not to take into consideration spread risk in the calculation of the risk margin which is in line with the Delegated Acts. However, **we strongly disagree with the fact that LTG measures are not taken into account in the calculation of the RM**. This is not in line with the approach of the LTGA, used as a basis for Omnibus II political agreement. Therefore this guideline should be reworded in such a way that the LTG adjustments could be considered in the calculation of the risk margin, without leading to considering spread risk in the calculation.	
1.1.		
1.2.		
1.3.		
1.4.		
1.5.		
1.6.	We have the following rewording suggestion: "*stresses applied to the basis risk free interest rate term structure*" instead of "*shocks to the basic interest rate term structure*" to avoid ambiguity and better align with the wording of the DAs.	
1.7.	We have the following rewording suggestion: "*following the stresses applied under the spread risk sub-module*" instead of "*following a SCR shock on the spreads*" to avoid ambiguity and better align with the wording of the DAs.	
1.8.		
1.9.		
1.10.	The reference to Art 204 of the DAs could be useful	
1.11.		
1.12.		

1.13.	**Guideline 6** We believe that this Guideline does not prevent from using LTG measures in the calculation of the Future Discretionary Benefits. However, we understand that the problem is a practical one and related to the modelling of FDB (ie the assumptions of lapse rates). Therefore, we suggest the GL to be redrafted in order to allow some simplifications to be permitted: "When calculating future discretionary benefits, insurance and reinsurance undertakings should ensure that the increase of the risk-free interest rate term structure due to the application of a volatility adjustment, a matching adjustment or a transitional measure on the risk-free interest rate does not affect the assumptions on the likelihood that policyholders will exercise contractual options. Nevertheless proportionate simplifications are permissible with respect to this guideline to the extent that they do not lead to a material understatement of the BEL."	
1.14.	**Guideline 7** Generally, we endorse EIOPA's approach not to take into consideration spread risk in the calculation of the risk margin. This is consistent with the LTG Assessment, the results of which formed the basis of reaching the political agreement of the LTG package. Likewise, there was nothing in the LTGA preventing companies from applying any of the measures (VA, MA or transitionals) when calculating the risk margin, therefore we strongly disagree with this part of the guideline. The assumption that the reference undertaking does not use LTG and transitional measures, means that the SCR of the reference undertaking (which is taken into account in the calculation of the risk margin) must be re-calculated without LTG and transitional measures. Thus, the technical provisions, which are taken into account in the calculation of the SCR, must be calculated without LTG and transitional measures.	

	There are practical difficulties from having to either calculate or adjust base balance sheet results when using different assumptions between the original and reference undertakings This means an extra effort because the calculation runs twice (with and without LTG measures to determine both best estimate and risk margin). This extra effort brings little value added when considering the final impact in the result. It should therefore be reworded in such a way that the LTG adjustments could be considered in the calculation of the risk margin.	
1.15.		
1.16.		
1.17.		
1.18.		
1.19.		
1.20.		
1.21.		
1.22.	It would be important to know when such a review is envisaged and what are the objective criteria needed to be met for such a review to be triggered.	
2.1.		
2.2.		
2.3.		
2.4.		
2.5.	A reference to the Implemening measures is missing as included in GL5 of the main text	
2.6.		
2.7.		
Annex		

Comments Template on EIOPA-CP EIOPA-CP-14-049 Draft proposal for Level 3 Guidance on the implementation of the long term guarantees measures		Deadline 02.Mar.2015 23:59 CET
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
13.		
14.		
15.		
16.		
17.		
18.		
19.		
20.		
21.		
22.		
23.		
24.		
25.		

	Comments Template on EIOPA-CP EIOPA-CP-14-049 Draft proposal for Level 3 Guidance on the implementation of the long term guarantees measures	Deadline 02.Mar.2015 23:59 CET
26.		
27.		
28.		
29.		
30.		
31.		
32.		
33.		
34.		
35.		
36.		
37.		
38.		
39.		
40.		
41.		
42.		
43.		
44.		
45.		
46.		
47.		
48.		

Comments Template on EIOPA-CP EIOPA-CP-14-049 Draft proposal for Level 3 Guidance on the implementation of the long term guarantees measures		Deadline 02.Mar.2015 23:59 CET
49.		
50.		
51.	Rejection of Options 4.2 and 4.3. The only reason for rejecting these options is the inconsistent treatment between MA and VA. Bceause the VA is based on a reference portfolio (not actual holdings) there's a strong argument that the reference undertaking can apply this adjustment, in the same way any other firm can. Regarding the MA, when the original undertaking applies a MA (as per Option 4.2 on page 14), the asset portfolio being transfered to the reference undertaking will remain eligible for a matching adjustment application. Furthermore, having the reference undertaking to apply the MA and VA is consistent with the treatment under the LTGA.	
52.		
53.		
54.		
55.		
56.		
57.		