

**Comments Template on EIOPA-CP-14-062  
Draft proposal for the Advice to the European Commission  
in response to the Call for Advice on recovery plan, finance scheme  
and supervisory powers in deteriorating financial conditions**

**Deadline  
18.Feb.2015  
23:59 CET**

Company name:	Investment & Life Assurance Group (ILAG)	
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
<p>Please follow the instructions for filling in the template:</p> <ul style="list-style-type: none"> <li>⇒ <b>Do not</b> introduce any change in column "Reference".</li> <li>⇒ 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>.</li> <li>⇒ Our IT tool does not allow processing of comments which do not refer to the specific paragraph numbers below. <ul style="list-style-type: none"> <li>○ 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.</li> <li>○ If your comment refers to sub-bullets/sub-paragraphs, please indicate this in the comment itself.</li> </ul> </li> </ul> <p><b>Please send the completed template to <a href="mailto:Consultation_Set2@eiopa.europa.eu">Consultation_Set2@eiopa.europa.eu</a>, in MSWord Format, (our IT tool does not allow processing of any other formats).</b></p> <p>The paragraph numbers below correspond to Consultation Paper No. EIOPA-CP-14-062.</p>		
<b>Reference</b>	<b>Comment</b>	
General Comment		
Legal background		
Recovery plan and finance scheme:	We query whether it is proportionate to require an insurer to provide the level of granularity of detail suggested ie. broken down by risk modules for prospective solvency capital requirements	

**Comments Template on EIOPA-CP-14-062  
Draft proposal for the Advice to the European Commission  
in response to the Call for Advice on recovery plan, finance scheme  
and supervisory powers in deteriorating financial conditions**

**Deadline  
18.Feb.2015  
23:59 CET**

analysis	<p>and presenting this information using the quantitative reporting templates (where possible). While we agree that it is preferable to receive detailed information to assess changes to an insurer's risk profile, it is not practical to deliver such granularity within condensed timescales. It may take several days to run and re-run models in order to assess the impact of various management actions and scenarios to deliver quality analysis.</p> <p>It would be more practical to monitor projections against a narrower range of metrics (agreed between supervisor and the insurer) which target the key drivers of the breach. We recognise that identifying the drivers of the breach may of course require this level of detail (but these drivers would be based on <b>actual</b>, rather than projected numbers).</p> <p>Where deficiencies are identified as the cause for the breach of regulatory capital requirements, firms should be able to discuss and agree with their supervisor an appropriate timeframe in which to address the deficiencies and implement necessary changes.</p> <p>It would be beneficial to allow firms to submit a combined finance scheme and recovery plan where a breach of MCR and SCR happens concurrently should they wish to do so. However, a firm should not be required to do so when it may benefit from the flexibility of submitting these documents separately as the directive provides for different timelines to do so.</p>	
Content of the recovery plan and finance scheme (1)	<p>While the recovery plan requirements focus on the prospective solvency capital requirements in detail, it remains silent around prospective eligible own funds. We would anticipate that some management actions may impact either both own funds and SCR (for example raising subordinated debt may increase own funds, but may also increase interest rate risk charge) or solely own funds (for example additional ordinary share capital). Whilst a forecast balance sheet will help with this assessment, it will not necessarily reflect issues of availability or eligibility of own funds.</p> <p>In terms of remedial actions planned, we would expect that the supervisor would be interested in reviewing the full set of options that the insurer believes it has as well as the feasibility of preferred options. These should reflect any practical obstacles that may prevent the recapitalisation of the insurer (such as lack of investor appetite or costly debt markets).</p> <p>Given that these requirements will also apply at group level (by virtue of Article 218(4) of the</p>	

**Comments Template on EIOPA-CP-14-062  
Draft proposal for the Advice to the European Commission  
in response to the Call for Advice on recovery plan, finance scheme  
and supervisory powers in deteriorating financial conditions**

**Deadline  
18.Feb.2015  
23:59 CET**

	Solvency II directive); we might have expected the Consultation Paper to consider whether any additional information might be required from an insurer in relation to the impact on its group solvency position in particular whether the restoration of solvency at a local level has a significant / detrimental impact. However any additional information deemed necessary should strike a balance to avoid creating unnecessary cost and burden on insurers.	
Content of the recovery plan and finance scheme (2)		
Forecast balance sheet and estimates	The end of the recovery period is most unlikely to be co terminus with a year end of the firm. It should be noted therefore that preparation of a forecast balance sheet at such a date is likely to be more challenging than at the end of a financial year.	
Overall reinsurance policy		
Non-compliance with both the MCR and the SCR at the same time	It would be beneficial to allow firms to submit a combined finance scheme and recovery plan where a breach of MCR and SCR happens concurrently should they wish to do so. However, a firm should not be required to do so when it may benefit from the flexibility of submitting these documents separately as the directive provides for different timelines to do so. However the focus of a firm should be the finance scheme and it may not be practical for a firm to submit a combined finance scheme and recovery plan within one month.	
Approval of the recovery plan and finance scheme		
Supervisory powers in deteriorating financial conditions:analysis		
Supervisory powers in deteriorating financial conditions	If a supervisory authority takes the measure of requiring a firm to change its asset portfolio to reduce market and credit risk, consideration should be given as to whether, in certain market conditions, this would have a detrimental effect on the proceeds of such disinvestment and thus	

**Comments Template on EIOPA-CP-14-062  
Draft proposal for the Advice to the European Commission  
in response to the Call for Advice on recovery plan, finance scheme  
and supervisory powers in deteriorating financial conditions**

**Deadline  
18.Feb.2015  
23:59 CET**

(1)	disadvantage policyholders further.	
Supervisory powers in deteriorating financial conditions (2)		
Supervisory powers in deteriorating financial conditions (3)		
Supervisory powers in deteriorating financial conditions (4)		
Supervisory powers in deteriorating financial conditions (5)		
Annex I – General Comment		
Annex I – Section 1		
Annex I – Section 2		
Annex I – Section 3		
Annex I – Section 4		
Annex I – Section 5	<p><u>Policy issue 1</u>. It would be beneficial to allow firms to submit a combined finance scheme and recovery plan where a breach of MCR and SCR happens concurrently should they wish to do so. However, a firm should not be required to do so when it may benefit from the flexibility of submitting these documents separately as the directive provides for different timelines to do so. However the focus of a firm should be the finance scheme and it may not be practical for a firm to</p>	

**Comments Template on EIOPA-CP-14-062  
Draft proposal for the Advice to the European Commission  
in response to the Call for Advice on recovery plan, finance scheme  
and supervisory powers in deteriorating financial conditions**

**Deadline  
18.Feb.2015  
23:59 CET**

	<p>submit a combined finance scheme and recovery plan within one month.</p> <p>We would contend that policyholders are affected by the form and timeframe in which the necessary information concerning the recovery from the breach are submitted as a more comprehensive and timely scheme / plan will increase the prospect of recovery and therefore more likely to protect their benefits.</p> <p>Policy issue 2. We agree that it make sense for an insurer to be able to demonstrate the sustainability of its solvency position for some time following the end of the recovery period. However, it would be appropriate for supervisory teams to discuss with a firm its expectations in this regard as this is likely to vary from case to case.</p> <p>Policy issue 3. It would be useful to have a list of potential supervisory measures in such circumstances. However, it is not necessary for such a list to be exhaustive provided that any measures are not automatic, are considered for appropriateness in a particular set of circumstances and are exercised within the scope and powers provided to the respective national competent authority by relevant national legislation.</p>	
Annex I – Section 6		