	Comments Template on Consultation Paper on EIOPA's second set of advice to the European Commission on specific items in the Solvency II Delegated Regulation	Deadline 5 January 2018 23:59 CET
Name of Company:	RGA International Reinsurance Company dac	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
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Reference	**Comment**	
General Comment		
Introduction		
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3.4.3	We have reviewed the proposals by EIOPA with regards to its review of the mortality and longevity shocks under Solvency II's Standard Formula. We are comfortable with the general approach of utilising stochastic projections of future mortality including the usage of the Lee-Carter and Cairns-Blake-Dowd methodologies. Similarly, we are comfortable with utilising the change in life expectancy as a means to derive the flat shock for the longevity shock. It is a reasonable proxy for the payments under an annuity. We believe the use of life expectancy to calibrate the flat shock for the insurance shock would lead to an overstatement of the amount of required capital for some types of insurance, in particular policies of shorter terms to maturity. Instead, we believe a proxy for the payments under life insurance contracts including lapses as a decrement should be utilised. Our analysis suggests that the equivalent flat shock will vary significantly with the term to maturity. The utilization of a single flat shock will result in excessive capital, relative to the risk, on insurance product of shorter terms to maturity. At the same time, the utilization of a single flat shock will result in a capital deficiency, relative to risk, on longer term to maturity insurance products. It is for that reason, we recommend that EIOPA move away from a single shock methodology and consider policy term dependent shocks.	
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9.4.2	EIOPA’s decision to give groups that operate in multiple currencies the flexibility to choose the ‘local’ currency for the purpose of the currency SCR is a welcome adjustment to the existing formula. We recommend that EIOPA continue to review the formula and consider the following enhancements: 1. Extend this flexibility to sole undertakings. European (re)insurance undertakings are allowed to conduct business within the single market without the establishment of subsidiaries under passport rights. By failing to extend this change to sole undertakings, the model discourages the use of passporting into jurisdictions with other currencies. This increases the cost of transacting business, including the costs of governance and regulatory compliance and review without any apparent benefit to policyholders. 2. Extend the calculation to include the impact of the currency movement on the Solvency Capital Requirement. The formula, as currently constructed, discourages a company to hold a currency mismatch between its Solvency Capital Requirement and the Own Funds backing it. The formula encourages the investment by the entity of its own funds in a single currency to reduce the size of the Solvency Capital Requirement. However, such actions would increase the volatility of the Solvency Ratio of the entity. As a result, the entity should consider holding additional capital to protect their policyholders against this volatility. Conversely, if a company were to invest its own funds by currency in proportion to the underlying currencies of its SCR, the undertaking would be required to hold a currency SCR but would have a stable Solvency Ratio.	
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