

Comments Template on EIOPA-CP-14-046 Consultation Paper on the proposal for Guidelines on the extension of the recovery period in exceptional adverse situations		Deadline 02.Mar.2015 23:59 CET
Company name:	IRSG	
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"> ⇒ <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. <ul style="list-style-type: none"> ○ 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. <p>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).</p> <p>The paragraph numbers below correspond to Consultation Paper No. EIOPA-CP-14-046.</p>		
Reference	Comment	
General Comment	The IRSG welcomes the opportunity to comment on these guidelines on the extension of the recovery period in exceptional adverse situations. <ul style="list-style-type: none"> • Guideline 2, where a conservative supervisory approach in deciding on a tight timeframe for the recovery period could trigger unintended financial outcomes for undertakings as it may 	

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	<p>result in decisions affecting the business in an adverse way (eg funding at an unfavourable borrowing rate, forced selling of assets in an unfavourable environment, buying reinsurance capacity in a hard market). It would therefore be better to rely on an ongoing dialogue between companies and supervisors such that realistic timelines can be agreed upon.</p> <ul style="list-style-type: none"> • 6 out of 15 GLs to delete: <ul style="list-style-type: none"> ○ Guidelines 3, 5, 6, 7, 8 do not add value as they state the obvious or simply repeat the Directive or the Delegated Acts – and so should be deleted. ○ Guideline 4 should be deleted as it is covered by the draft RTS (CP-14-062). Only a reference to this draft RTS is necessary in this paper. • Guideline 14 and 15 should be moved to “CP-14/050 guidelines on exchange of information on a systematic basis within colleges”, because it concerns the exchange of information within colleges. • Although reference is made in the Impact Assessment to the proportionality principle that needs to be applied by supervisors, there is no specific guideline that refers to this principle. It would be helpful if that could be added with some examples. 	
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1.2.	<p>Redrafting suggestion: p. 5: under 1.2. third line: “outmost” to be “utmost”</p>	
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1.14.	<p>Guideline 1</p> <p>This guideline should be deleted since it repeats articles 288 and 289 of the Delegated Acts: Article 288(c) already asks to consider pro-cyclical effects. Article 289(a) already mentions the protection of policyholders.</p>	
1.15.	<p>Guideline 2</p> <p>Where a conservative supervisory approach in deciding on a tight timeframe for the recovery period could trigger unintended financial consequences for undertakings as it may result in decisions affecting the business in an adverse way (eg funding at an unfavourable borrowing rate, forced selling of assets in an unfavourable environment, buying reinsurance capacity in a hard market). It would therefore be better to rely on an ongoing dialogue between companies and supervisors such that realistic timelines can be agreed upon.</p>	
1.16.	<p>Guideline 3</p> <p>This guideline should be deleted as it duplicates Article 138(4) in the Directive stating that "the supervisory authority may extend, for affected undertakings, the period set out in the second subparagraph of paragraph 3".</p> <p>The guideline states the obvious – it goes without saying that the undertaking should apply for an extension before the previous extension has expired.</p>	
1.17.	<p>Guideline 4</p> <p>We consider that this guideline is already covered in CP-14-062 as this draft RTS concerns the harmonisation of information in the recovery plan and the finance scheme. Therefore this guideline should be deleted from this paper and a cross reference to the CP-14-062 should be inserted in the</p>	

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	introduction instead.	
1.18.	<p>Guideline 5</p> <p>This guideline should be deleted as it repeats the legal texts: Article 138(4)(a) in the Directive and Article 288(c) of the Delegated Acts.</p>	
1.19.	<p>Guideline 6</p> <p>This guideline should be deleted as it repeats the legal texts: Article 138(4)(b) in the Directive and Article 289(i) of the Delegated Acts.</p>	
1.20.	<p>Guideline 7</p> <p>This guideline should be deleted as it repeats the legal texts: Article 138(4)(c) in the Directive and article 289(b) of the Delegated Acts.</p>	
1.21.	<p>Guideline 8</p> <p>This guideline should be deleted since it goes beyond the Directive and the Delegated Acts:</p> <ul style="list-style-type: none"> • It is imprudent to remove or reduce the recovery period due to one of the situations mentioned in Articles 138(4)(a)(b) and (c) of the Directive improving materially. • In Article 138(4)(a) a recovery in financial markets is not enough of a reason to reduce or revoke an extended recovery period. For example, an undertaking may have rebalance its portfolio of assets following a fall in financial markets and may not benefit from a recovery in the financial markets. Unnecessary reductions in recovery periods may introduce pro-cyclical effects. • In Article 138(4)(b) an increase in interest rates is not enough of a reason to reduce or revoke 	

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	<p>an extended recovery period. For instance, as part of a recovery plan, undertakings may have used extensively interest rate swaps in order to reduce interest rate risk and SCR. An increase in interest rates will not benefit such undertakings. Unnecessary reductions in recovery periods may introduce pro-cyclical effects.</p> <p>In Article 138(4)(c) it is unclear how an improvement of a high-impact catastrophic event may materialise. For example, a severe earthquake may reduce the solvency position of certain undertakings and it is not evident how the situation could improve materially, as stated under guideline 8.</p>	
1.22.	<p>Guideline 9</p> <p>The sentence in this guideline "resulting overall extended recovery period does not exceed the maximum period of 7 years" should be redrafted to read "resulting overall extended recovery period does not exceed the maximum period of 7 years and 9 months". The second subparagraph of Article 138(3) of the Directive already permits a 3 month extension to the base 6 month recovery period, and Article 138(4) permits this 9 months to be extended by a further 7 years.</p>	
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1.28.	<p>Guideline 14</p> <p>This guideline should be moved to "CP-14/050 guidelines on exchange of information on a systematic basis within colleges", because it concerns the exchange of information within colleges.</p> <p>Please redraft on p. 10: title of Guideline 14 : "Extension of the recovery period...."</p>	
1.29.	<p>Guideline 15</p> <p>This guideline should be moved to "CP-14/050 guidelines on exchange of information on a systematic</p>	

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	<p>basis within colleges”, as it concerns discussions within the college of supervisors regarding extension of the recovery period for either an entity or the group itself.</p> <p>Redrafting suggestion for p. 10: title of Guideline 15: “Decision of an extension of the recovery period...” and p. 10: under 1.29 fourth and third last lines: “to restore their solvency in a timely manner.”</p>	
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2.35.	Redrafting suggestion: p. 19 under 2.35 third last line: delete the words " and to undertakings "	
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2.38.	Redrafting suggestion: p. 20 under 2.38 second line: "authorities to withdraw"	

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2.50.	As suggested for guideline 14 we propose to move this guideline to the Guidelines on exchange of information within colleges. However, the following redrafting suggestions still apply: p. 23 under 2.50 fifth line: "undertakings of the group " p. 23 under 2.50 second line: "extension of the recovery period"	
2.51.	Redrafting suggestion: p. 23 under 2.51 third line: "extension of the recovery period"	
2.52.	Redrafting suggestion: p. 23 under 2.52 second line: "of different economic situations"	
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2.54.	As suggested for guideline 15 we propose to move this guideline to the Guidelines on exchange of information within colleges. However, the following redrafting suggestions still apply: p. 24 under 2.54 first line: "extension of the recovery period"	
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