

Comments Template on Implementing Technical Standards with regard to the Supervisory Approval Procedure to use Undertaking-Specific Parameters		Deadline 30 June 2014
Name of Company:	Insurance and Reinsurance Stakeholder Group (IRSG)	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ Do not change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool ⇒ Leave the last column <u>empty</u>. ⇒ 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>. ⇒ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. <p>Please send the completed template, <u>in Word Format</u>, to <u>CP-14-009@eiopa.europa.eu</u>. Our IT tool does not allow processing of any other formats.</p> <p>The numbering refers to Implementing Technical Standards On the procedures to be followed for the approval to use Undertaking-Specific Parameters.</p>		
Reference	Comment	
General Comment	<ul style="list-style-type: none"> ▪ The need for a broadly consistent approach by supervisors justifies the need for an implementing technical standard in relation to applications for approval of USPs. ▪ Consumers and stakeholders will be best served if the standard includes more on the rationale for making the application and allows more discretion with respect to data and method. ▪ EIOPA and supervisors should introduce a pre-application process for the use of USPs to 	

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anticipate the large number of undertakings that are likely to apply for the use of USPs and thereby avoid that many undertakings will not be able to have their USPs approved in time.

- **The predefined list of standardised methods which are to be used to derive the undertaking specific parameters (USP) should not be restricted** but rather there should be a set of criteria set out which would help assess whether anyone method is a standardised one.
- **Data and methods**
 - Data should be appropriate and should be sufficiently complete and accurate to serve as the basis for calculation of a USP (may be a matter of professional actuarial judgment)
 - Undertakings should be encouraged to test variety of methods – stability rather than accuracy may be most important criterion. Choice of method(s) should be able to be rationalised explicitly.
 - Supervisors should find it advantageous to be able to rely on professional discipline of actuaries and risk managers.
 - Undertakings should be allowed / encouraged to collaborate on development of USPs where these are to reflect differences between countries.
- **Implications for ITS**
 - undertakings will either voluntarily or on supervisory initiative use USPs – limit burden for all parties involved (for sake of consumers).

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	<ul style="list-style-type: none"> ▪ Include in ITS explicit requirement to root application in consideration of unique features of risk profile in an ORSA context. ▪ De-emphasise language which may constrain supervisors from an open-mindedly empirical consideration of data and methods for specialist firms particularly. ▪ Consider requiring actuarial function or risk management function to endorse application 	
Recital (1)		
Recital (2)		
Recital (3)		
Recital (4)		
Recital (5)		
Recital (6)	<ul style="list-style-type: none"> ○ Point (6) in the introduction to the ITS (Whereas: ... (6)) states that “The decision to apply to use of undertaking-specific parameters should not be dictated only by lowering capital requirement.” <i>The general economic incentive for a company using the Standard Formula to apply for the use of USP is that - when data requirements regarding appropriateness and quality can be met – the resulting required capital will be lower because the risk profile of the company is better reflected. There is no other conceivable incentive to apply for USP. This intention should not be discredited as it is economically sensible and appropriate.</i> <i>The reverse case – i.e. underestimation of the required capital by the Standard Formula – is not a case for applying for USP, but for supervisory authorities to require an internal model or a capital add-on. These separate topics should not be mixed up. (6) should be deleted from the draft.</i> 	

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Recital (7)		
Recital (8)	<ul style="list-style-type: none"> ▪ The set of standard parameters that are allowed to be replaced under the Implementing Measures by undertaking-specific parameters is restricted and as such is in tension with the spirit of the Framework Directive. 	
Recital (9)		
Recital (10)		
Recital (11)		
Article 1 (1)		
Article 1 (2)		
Article 1 (3)		
Article 1 (4) a	<ul style="list-style-type: none"> • The wording should be aligned with the draft Delegated Acts and the Directive. • Data should be sufficiently complete accurate and appropriate 	
Article 1 (4) b		
Article 1 (4) c		
Article 1 (4) d		
Article 1 (5)		
Article 2 (1)		
Article 3 (1)	<ul style="list-style-type: none"> • As regards accuracy of the results it is stated here that in case the insurer is not able to demonstrate the accuracy of the results of one standardized method is better than all 	

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	the other standardized methods to calculate an USP the most conservative result shall be used. This seems to be too restrictive as there can be a range of outcome being verifiably more relevant than one most conservative result.	
Article 3 (2)		
Article 4 (1) a		
Article 4 (1) b		
Article 4 (2)		
Article 5 (1)		
Article 5 (2)	<ul style="list-style-type: none"> • Six months is much too long for USP approval 	
Article 5 (3)	<ul style="list-style-type: none"> • Six months is much too long for USP approval 	
Article 5 (4)		
Article 5 (5)		
Article 5 (6)		
Article 5 (7)		
Article 5 (8)		
Article 6 (1)		
Article 7 (1)		
Article 8 (1)	<ul style="list-style-type: none"> • The supervisory authority may revise its decision where material changes occur to the appropriateness of the use of USPs, based on evidence provided by the insurer. What does not become clear here is how the supervisory authority should notice the inappropriateness on an USP. Should that be left to the supervisory review process or should another review take place, e.g. by an auditor? 	
Article 9 (1)		
Article 9 (2)		
Annex I: Procedural issues		

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and consultation of interested parties		
Annex I: Problem definition		
Annex I: Proportionality		
Annex I: Baseline		
Annex I: Objective pursued		
Annex I: Policy options - Policy issue 1		
Annex I: Policy options - Policy issue 2		
Annex I: Policy options - Policy issue 3		
Annex I: Policy options - Policy issue 4		
Annex I: Policy options - Policy issue 5		
Annex I: Policy options - Policy issue 6		
Annex I: Policy options - Policy issue 7		
Annex I: Analysis of impacts		
Annex I: Comparing the options		