



EIOPA-BoS-15/111

30 June 2015

Final Report
on
public consultation No. 14/049 on
Guidelines on
the implementation of the long-term
guarantee measures

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1. Executive summary

Introduction

According to Article 16 of Regulation (EU) No 1094/2010 (hereinafter "EIOPA Regulation") EIOPA shall issue Guidelines addressed to competent authorities or financial institutions.

EIOPA shall, where appropriate, conduct open public consultations and analyse the potential costs and benefits. In addition, EIOPA shall request the opinion of the Insurance and Reinsurance Stakeholder Group (hereinafter "IRSG") referred to in Article 37 of the EIOPA Regulation.

According to Articles 77b, 77d, 308c and 308d of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (hereinafter "Solvency II"), EIOPA has developed Guidelines on the implementation of the long term guarantee measures.

As a result of the above, on 2 December 2014 EIOPA launched a public consultation on the draft Guidelines on the implementation of the long term guarantee measures. The Consultation Paper is also published on EIOPA's website¹.

These Guidelines are addressed to competent authorities to ensure convergence of practices across Member States in implementing the volatility adjustment, the matching adjustment, the transitional on the risk-free interest rates and the transitional on technical provisions.

Content

This Final Report includes the feedback statement to the consultation paper (EIOPA-CP-14/049) and the full package of the public consultation, including:

Annex I: Guidelines

Annex II: Impact Assessment

Annex III: Resolution of comments

¹ [Consultation Paper](#)

Next steps

In accordance with Article 16 of the EIOPA Regulation, within 2 months of the issuance of these Guidelines, each competent authority shall confirm if it complies or intends to comply with these Guidelines. In the event that a competent authority does not comply or does not intend to comply, it shall inform EIOPA, stating the reasons for non-compliance.

EIOPA will publish the fact that a competent authority does not comply or does not intend to comply with these Guidelines. The reasons for non-compliance may also be decided on a case-by-case basis to be published by EIOPA. The competent authority will receive advanced notice of such publication.

EIOPA will, in its annual report, inform the European Parliament, the Council and the European Commission of the Guidelines issued, stating which competent authority has not complied with them, and outlining how EIOPA intends to ensure that concerned competent authorities follow its Guidelines in the future.

2. Feedback statement

Introduction

EIOPA would like to thank the IRSG and all the participants to the public consultation for their comments on the draft Guidelines. The responses received have provided important feedback to EIOPA in preparing a final version of these Guidelines. All of the comments made were given careful consideration by EIOPA. A summary of the main comments received and EIOPA's response to them can be found in the sections below. The full list of all the comments provided and EIOPA's responses to them is published on EIOPA's website.

General comments

2.1. Interaction of LTG measures with the risk margin

- a. Draft Guideline 7 (in the final version Guideline 2) stated that insurance and reinsurance undertakings should base the calculation of the risk margin on the assumption that the reference undertaking does not apply any of the long-term guarantee measures. Several stakeholders asked for a change of this approach, so that the long-term guarantee measures could be considered in the calculation of the risk margin, but without considering the spread risk that their application might give rise to. In particular, some stakeholders considered the assumption set in the Guideline to create additional workload for undertakings.
- b. The intention of the guideline is to ensure consistent assumptions are made concerning the reference undertaking's use of long-term guarantee measures.

It was the intention of the co-legislators that all long-term guarantee measures are treated in the same way. Regarding the matching adjustment, Article 38 (1)(h) of Commission Delegated Regulation (EU) 2015/35 excludes the possibility for the reference undertaking to receive the assets of the original undertaking. Regarding the volatility adjustment, the underlying assumption is that undertakings using the volatility adjustment earn it in a risk-free manner in practice. In the case of the reference undertaking, where obligations are covered with risk-free assets, the use of the volatility adjustment would give rise to an undue gain in own funds.

An approach where the long-term guarantee measures are considered in the calculation of the risk margin, but the spread risk that their application might give rise to is not, would not be consistent and would result in "cherry-picking". Apart from that, EIOPA does not consider that the guideline introduces a significant additional burden, since undertakings using LTG measures are in any case required to show the effect on the Solvency II balance sheet in the absence of the LTG measures. The approach of the guidelines is therefore unchanged.

2.2. Effects of LTG measures on policyholder behaviour

- a. Draft Guideline 6 (in the final version Guideline 1) specifies the effects of the volatility adjustment, the matching adjustment and the transitional on risk-free interest rates on assumptions about future policyholder behaviour that are used in the calculation of technical provisions. Several stakeholders were concerned that the Guideline prevents undertakings from using LTG measures for the purpose of the determination of future discretionary benefits. Apart from that, stakeholders addressed that the guideline introduces significant additional burden and asked for simplifications in this respect.
- b. Indeed, this was not EIOPA's intention in drafting the guideline. The feedback received highlighted the need to clarify the intention. The Guideline was rephrased to avoid misunderstandings and to capture policyholder behaviour more generally.

General nature of participants to the Public Consultation

EIOPA received comments from the IRSG and eleven responses from other stakeholders to the public consultation. All the comments received have been published on EIOPA's website.

Respondents can be classified into four main categories: European trade, insurance, actuarial or accounting associations; national insurance associations; (re)insurance groups or undertakings; and other parties such as consultants.

IRSG opinion

The particular comments from the IRSG on the Guidelines at hand can be consulted on EIOPA's website². The IRSG commented on the guideline on the interaction of the long-term guarantee measures with the risk margin calculation (see general comment A for a description of the issue and EIOPA's resolution). The IRSG referred in particular to the long-term guarantee assessment which was the basis for the political negotiation of the long-term guarantee measures. In that assessment the long-term guarantee measures had been taken into account in the calculation of the risk margin. However, in EIOPA's understanding the guideline is fully in line with the approach that undertakings were instructed to adopt for the long-term guarantee assessment.

Comments on the Impact Assessment

Five comments were received from the stakeholders on the Impact Assessment. Four of these comments support EIOPA preferred policy options and one of them disagrees with EIOPA choice. The Impact Assessment has been further developed and partially redrafted in order to reinforce the justification of all the policy options adopted.

² [IRSG opinion](#)

3. Annexes

Annex I: Guidelines

Guidelines on the implementation of the long-term guarantee measures

1. Introduction

- 1.1. According to Article 16 of Regulation (EU) No 1094/2010 of the European Parliament and of the Council (hereafter EIOPA Regulation)³ EIOPA is issuing Guidelines on the implementation of the measures set out in Articles 77b, 77d, 308c and 308d of Directive 2009/138/EC of the European Parliament and of the Council (hereinafter Solvency II Directive)⁴.
- 1.2. These Guidelines aim at ensuring convergence of practices across Member States and supporting undertakings in implementing the volatility adjustment, the matching adjustment, the transitional measure on the risk-free interest rates and the transitional measure on technical provisions (known as “long-term guarantee adjustments and transitional measures”).
- 1.3. These Guidelines are divided in two sections: Section 1 deals with the valuation of technical provisions with the long term guarantee measures. These measures are relevant for all insurance and reinsurance undertakings. Section 2 deals with the determination of the Solvency Capital Requirement (SCR) for standard formula users and the Minimum Capital Requirement (MCR). Guidelines on the interaction of the long-term guarantee measures with the SCR and the MCR assume that the SCR and the MCR are calculated on the basis of technical provisions valued with the long-term guarantee measures.
- 1.4. These Guidelines are addressed to supervisory authorities under Solvency II Directive.
- 1.5. For the purpose of these Guidelines, the expression “long term guarantee measures” refers to the adjustments and transitional measures set out in Articles 77b, 77d, 308c and 308d of Solvency II Directive.
- 1.6. If not defined in these Guidelines, the terms have the meaning defined in the legal acts referred to in the introduction.
- 1.7. The Guidelines shall apply from 1 January 2016.

³ Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC (OJ L 331, 15.12.2010, p. 48).

⁴ Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (OJ L 335, 17.12.2009, p. 1).

Section 1: The valuation of technical provisions with the long term guarantee measures

Guideline 1 – Effects of the volatility adjustment, the matching adjustment and the transitional on risk-free interest rates on policyholders’ behaviour

- 1.8. Insurance and reinsurance undertakings should avoid creating an unrealistic or distortionary link between the assumptions on policyholder behaviour referred to in Article 26 of Commission Delegated Regulation (EU) 2015/35⁵ (hereafter the Delegated Regulation) and the use of the matching adjustment, the volatility adjustment or the transitional on the risk-free interest rates.
- 1.9. In particular, where the likelihood that policyholders will exercise contractual options is modelled dynamically using benchmark rates (e.g. market rates), insurance and reinsurance undertakings should ensure that the benchmark rates are set consistently with the relevant risk-free interest rate term structure applied for the calculation of technical provisions.

Guideline 2 – Interaction of the long term guarantee measures with the risk margin calculation

- 1.10. For the purposes of calculating the risk margin in accordance with Article 38 of the Delegated Regulation, insurance and reinsurance undertakings that apply the matching adjustment, the volatility adjustment, the transitional measure on the risk-free interest rates or the transitional measure on technical provisions should assume that the reference undertaking does not apply any of these measures.

Guideline 3 – Combination of the matching adjustment and the transitional measure on technical provisions

- 1.11. When insurance and reinsurance undertakings apply to use both the matching adjustment and the transitional measure on technical provisions to the same insurance or reinsurance obligations, in accordance with Article 77b and Article 308d of Solvency II Directive, the amount referred to in point 2(a) of Article 308d of Solvency II Directive should be calculated with the matching adjustment.

Guideline 4 – Scope of the transitional measure on risk-free interest rates

- 1.12. Insurance and reinsurance undertakings should apply the transitional measure on risk-free interest rates to the whole of the admissible obligations.

⁵ Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (OJ L 12, 17.1.2015, p. 1).

Section 2: The determination of the MCR and the SCR standard formula where long term guarantee measures are used

Guideline 5 – Interaction between the volatility adjustment, the matching adjustment and the transitional measure on the risk-free interest rates and the interest rate risk sub-module of the SCR standard formula

1.13. Insurance and reinsurance undertakings using the volatility adjustment, the matching adjustment or the transitional measure on the risk-free interest rates should ensure that the amounts of these adjustments and of the transitional adjustment referred to in Article 308c of Solvency II Directive remain unchanged after the application of the shocks to the basic interest rate term structure set out Articles 166 and 167 of the Delegated Regulation.

Guideline 6 – Interaction between the volatility adjustment and/or the transitional measure on the risk-free interest rates with the spread risk sub-module of the SCR standard formula

1.14. When calculating the spread risk sub-module, insurance and reinsurance undertakings applying the volatility adjustment and/or the transitional measure on the risk-free interest rates should ensure that the amounts of the volatility adjustment and/or of the transitional adjustment referred to in Article 308c of Solvency II Directive remain unchanged following the stresses applied under the spread risk sub-module set out in Articles 176(1), 178(1) and 179(1) of the Delegated Regulation.

Guideline 7 - Interaction between the transitional measure on technical provisions and the calculation of the SCR standard formula

1.15. Insurance and reinsurance undertakings applying the transitional measure on technical provisions should ensure that the amount of the transitional deduction referred to in Article 308d (1) of Solvency II Directive remains unchanged in scenario based calculations of the SCR standard formula.

Guideline 8 – Interaction between the transitional measure on technical provisions and the capital requirement for operational risk of the SCR standard formula

1.16. When calculating the capital requirement for operational risk, insurance and reinsurance undertakings applying the transitional measure on technical provisions should use, for the volume measures TP_{life} , $TP_{life-ul}$ and $TP_{non-life}$ referred to in Article 204(4) of the Delegated Regulation, the amount of technical provisions before application of the transitional measure minus the maximum between the risk margin and the amount of the transitional deduction.

1.17. Where the amount of the transitional deduction is higher than the risk margin, the amount of the transitional deduction in excess of the risk margin should be

apportioned across TP_{life} , $TP_{life-ul}$ and $TP_{non-life}$ according to each component's contribution to the overall amount of the transitional deduction.

Guideline 9 – Interaction between the transitional measure on technical provisions and the MCR calculation

- 1.18. When calculating the linear minimum capital requirement, insurance and reinsurance undertakings applying the transitional measure on technical provisions should use, for the volume measures $TP_{(nl,s)r}$, $TP_{(life,1)r}$, $TP_{(life,2)r}$, $TP_{(life,3)}$ and $TP_{(life,4)}$ referred to in Articles 250(1) and 251(1) of the Delegated Regulation, technical provisions before application of the transitional measure minus the maximum between the risk margin and the amount of the transitional deduction.
- 1.19. Where the amount of the transitional deduction is higher than the risk margin, the amount of the transitional deduction in excess of the risk margin should be apportioned across $TP_{(nl,s)r}$, $TP_{(life,1)r}$, $TP_{(life,2)r}$, $TP_{(life,3)}$ and $TP_{(life,4)}$ according to each component's contribution to the overall amount of the transitional deduction.

Compliance and Reporting Rules

- 1.20. This document contains Guidelines issued under Article 16 of the EIOPA Regulation. In accordance with Article 16(3) of that Regulation, competent authorities and financial institutions shall make every effort to comply with guidelines and recommendations.
- 1.21. Competent authorities that comply or intend to comply with these Guidelines should incorporate them into their regulatory or supervisory framework in an appropriate manner.
- 1.22. Competent authorities shall confirm to EIOPA whether they comply or intend to comply with these Guidelines, with reasons for non-compliance, within two months after the issuance of the translated versions.
- 1.23. In the absence of a response by this deadline, competent authorities will be considered as non-compliant to the reporting and reported as such.

Final Provision on Reviews

- 1.24. The present Guidelines shall be subject to a review by EIOPA.

2. Explanatory Text

Guideline 1 – Effects of Long term guarantee adjustments and transitional measures on policyholder behaviour

Insurance and reinsurance undertakings should avoid creating an unrealistic or distortionary link between the assumptions on policyholder behaviour referred to in Article 26 of Commission Delegated Regulation (EU) 2015/35 and the use of the matching adjustment, the volatility adjustment or the transitional on the risk-free interest rates.

In particular, where the likelihood that policyholders will exercise contractual options is modelled dynamically using benchmark rates (e.g. market rates), insurance and reinsurance undertakings should ensure that the benchmark rates are set consistently with the relevant risk-free interest rate term structure applied for the calculation of technical provisions.

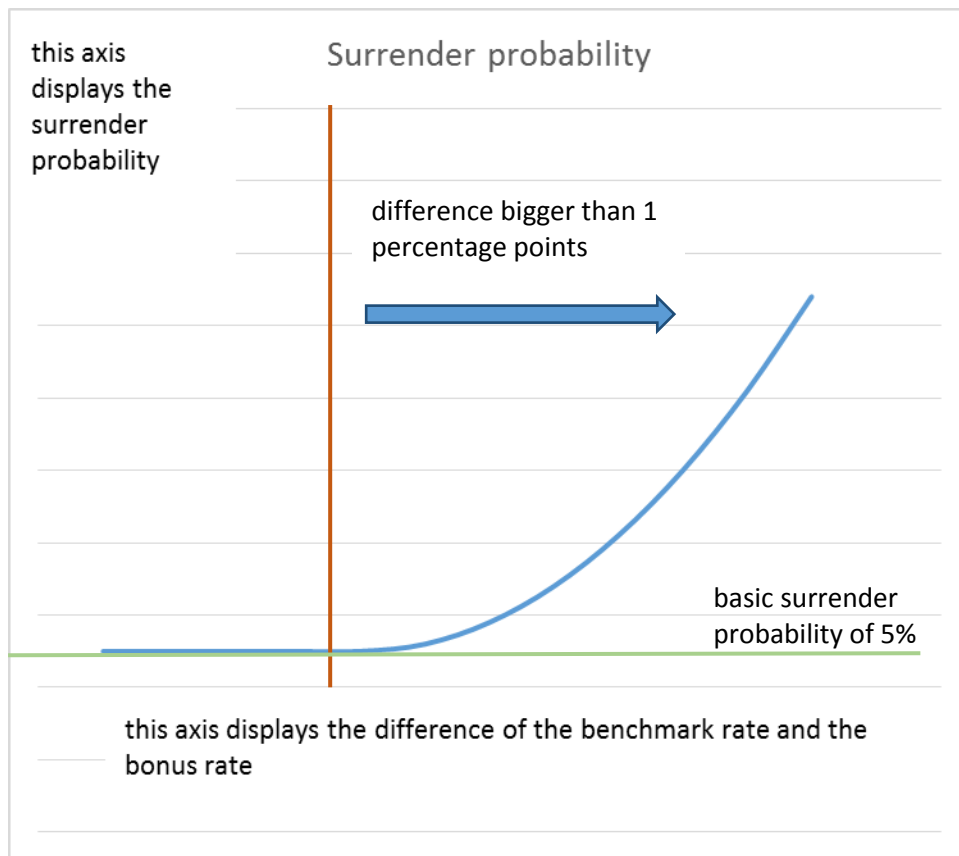
- 2.1. Where, in practice, surrender models rely on the level of the relevant risk-free interest rate term structure relative to a benchmark rate, undertakings should ensure that assumptions on policyholder behaviour are still adequate given the increase of the relevant risk-free interest rate term structure caused by the use of long term guarantee adjustments and transitional measures. Where this is not the case, adjustments should be made (e.g. by recalibrating the benchmark rate or any tolerance thresholds set around this benchmark rate).
- 2.2. The following example outlines the intention of the guideline by means of a simple dynamic surrender model.

Assume a dynamic surrender model where the probability to surrender depends on the difference a benchmark rate and the bonus rate.

For each year of the projection of future cashflows of the insurance obligations, the probability to surrender is determined based on the following rule:

- Where the difference between benchmark rate and the bonus rate is smaller or equal than 1 percentage point, a basic surrender probability of 5% applies (5% of policyholders surrender);
- Where this difference is bigger than 1 percentage point, the surrender probability increases e.g. so that 20% of the policyholders lapse where the difference is 2 percentage points.

The following graph illustrates this dependency:



- 2.3. Applying a positive adjustment to the relevant risk-free interest rate in the case of the application of an LTG measure (volatility adjustment, matching adjustment or transitional on the risk-free rate) has the consequence that bonus rates increase, where policyholders profit participation depends on the level of the relevant risk-free interest rate (according to Art. 24 DR). In case the benchmark rate is left unchanged, the difference between benchmark and bonus rates decreases implying decreasing surrender probabilities. Depending on the profitability of the insurance contracts, this can lead to either over- or underestimating technical provisions. This guideline clarifies that the benchmark rate should also reflect the adjustments to the relevant risk-free interest rate term structure.

Guideline 8 – Interaction of the transitional measure on technical provisions with operational risk SCR module

When calculating operational risk SCR module, insurance and reinsurance undertakings applying a transitional measure on technical provisions should use, for the volume measures TP_{life} , $TP_{life-ul}$ and $TP_{non-life}$ referred to in Article 204(4) of Commission Delegated Regulation (EU) 2015/35, technical provisions before application of the transitional measure minus the maximum between the risk margin and the amount of the transitional deduction.

Where the amount of the transition deduction is higher than the risk margin, the amount of the transitional deduction in excess of the risk margin should be apportioned across TP_{life} , $TP_{life-ul}$ and $TP_{non-life}$ according to each component's contribution to the overall amount of the transitional deduction.

- 2.4. The first paragraph of this guideline aims at ensuring that the risk margin is not deducted twice from technical provisions.
- 2.5. The second paragraph provides the approach that undertakings should follow to deduct from the relevant volume measures the transitional deduction where the transitional deduction is higher than the risk margin.
- 2.6. The second paragraph is relevant where insurance and reinsurance undertakings does not apply the transitional on technical provisions at the level of homogeneous risk groups in accordance with Article 308d(1) of Directive 2009/138/EC. In the latter case, the apportionment of the transitional deduction is not needed since the respective volume measures of the operational risk based on technical provisions already take into account the effect of the transitional measure.

Guideline 9 – Interaction of the transitional measure on technical provisions with MCR calculation

When calculating the linear minimum capital requirement, insurance and reinsurance undertakings applying a transitional measure on technical provisions should use, for the volume measures $TP_{(nl,s)}$, $TP_{(life,1)}$, $TP_{(life,2)}$, $TP_{(life,3)}$ and $TP_{(life,4)}$ referred to in Articles 250(1) and 251(1) of Commission Delegated Regulation (EU) 2015/35, technical provisions before application of the transitional measure minus the maximum between the risk margin and the amount of the transitional deduction.

Where the amount of the transition deduction is higher than the risk margin, the amount of the transitional deduction in excess of the risk margin should be apportioned across $TP_{(nl,s)}$, $TP_{(life,1)}$, $TP_{(life,2)}$, $TP_{(life,3)}$ and $TP_{(life,4)}$ according to each component's contribution to the overall amount of the transitional deduction.

- 2.7. The first paragraph of this guideline aims at ensuring that the risk margin is not deducted twice from the technical provisions.
- 2.8. The second paragraph provides the approach that undertakings should follow to deduct from the relevant volume measures the transitional deduction where the transitional deduction is higher than the risk margin.

2.9. The second paragraph is relevant only where insurance and reinsurance undertakings do not apply the transitional on technical provisions at the level of homogeneous risk groups in accordance with Article 308d(1) of Directive 2009/138/EC. In the latter case, the apportionment of the transitional deduction is not needed since the respective volume measures of the MCR based on technical provisions already take into account the effect of the transitional measure.

Annex II: Impact Assessment

Section 1: Procedural Issues and Consultation of Interested Parties

1. In order to analyse the impacts of Guidelines, EIOPA analysed the potential related costs and benefits in accordance with Article 16 of the Regulation 1094/2010 (EIOPA Regulation). The analysis of costs and benefits is undertaken according to an Impact Assessment methodology.
2. The draft Guidelines and its Impact Assessment were subject to a public consultation between 3 December 2014 and 2 March 2015. Stakeholders' responses to public consultation were duly taken into account and served as a valuable input in order to revise the Guidelines.
3. The comments received and EIOPA's responses to them are summarised in the section Feedback Statement of the Final Report.

Section 2: Problem Definition

4. The Solvency II framework includes certain mechanisms in order to properly deal with the long term guarantees (hereinafter LTG) provided by insurers. These mechanisms, known as "LTG measures", include: the transitional on technical provisions, the transitional on the interest rate, the matching adjustment and the volatility adjustment. However, undertakings may face relevant doubts with respect to certain aspects of the practical implementation of such measures. Without further guidance, consistency and convergence of professional practices for all types and sizes of undertakings across Member States cannot reasonably be ensured. In particular, guidance is needed to clarify the interaction between assumptions underlying the technical provisions calculation and LTG measures in the calculation of technical provisions and in the context of Solvency Capital Requirement (hereinafter SCR) and Minimum Capital Requirement calculation.

Baseline

5. When analysing the impact from proposed policies, the Impact Assessment methodology foresees that a baseline scenario is applied as the basis for comparing policy options. This helps to identify the incremental impact of each policy option considered. The aim of the baseline scenario is to explain how the current situation would evolve without additional regulatory intervention.
6. The baseline scenario is based on the current situation of EU insurance and reinsurance markets, taking account of the progress towards the implementation of the Solvency II framework achieved at this stage by insurance and reinsurance undertakings and supervisory authorities.
7. In particular the baseline includes:
 - The relevant content of Directive 2009/138/EC as amended by Directive 2009/51/EC;
 - Commission Delegated Regulation (EU) 2015/35.

8. The referred LTG measures are regulated in Articles 77b to 77d, 308c and 308d of the Directive. The volatility adjustment and the matching adjustment are further regulated respectively in Articles 49 to 51 and in Articles 52 to 54 of the Commission Delegated Regulation.
9. To measure the additional effects created by these Guidelines, EIOPA used the baseline described above. With respect to this baseline, EIOPA analysed which topics may be resolved/enhanced by the introduction of new Guidelines. These Guidelines should assure a common interpretation of the provisions defined in the baseline.

Section 3: Objective Pursued

10. The objectives of the Guidelines are:
 - Objective 1: To ensure convergence of practice across Member States as regards the implementation of LTG measures;
 - Objective 2: To support undertakings in implementing the LTG measures.
11. These objectives are consistent with the following objectives for the Solvency II Directive:
 - advance supervisory convergence;
 - improved risk management of EU undertakings;
 - better allocation of capital resources; and
 - harmonized calculation of technical provisions.

Section 4: Policy Options

Policy Issue 1: The effect of LTG measures on the assumptions underlying the technical provisions calculation (Guideline 1)

12. According to the Commission Delegated Regulation, the projection of the asset returns should be consistent with a risk-free curve including, where relevant, a matching adjustment, a volatility adjustment or a transitional on the risk-free interest rates. The inclusion of those adjustments aims at ensuring that the same time value of money is applied for both the projection of asset returns and the discounting of liabilities. Nonetheless, assumptions on expected future developments and on policyholder behaviour should not be distorted where it is not realistic to assume an impact of the inclusion or not of the LTG measures in the risk-free curve used for the projection of asset returns on expected future developments and policyholder behaviour.
13. **Option 1.1:** Restrict undertakings to assume a direct impact of the LTG measures on policyholder behaviour's assumptions.
14. **Option 1.2:** Don't restrict undertakings' methodology but set additional requirements for undertakings to validate and explain assumptions on policyholder behaviour on request.

Policy Issue 2: Interaction of the LTG measures with the risk margin calculation (Guideline 2)

15. Since the LTG Measures may impact the SCR, there may be also an impact on the projected SCR which is the basis for the risk margin calculation as well in case the reference undertaking also applies the LTG measures.
16. For the risk margin calculation it is assumed that the reference undertaking invests in assets in order to minimise the market risks. In the case the basic risk free rate applies, it is assumed that the reference undertaking invests in risk free assets. In case a LTG measure was applied, this assumption may need to be re-assessed.
17. Neither the impact on the balance sheet of the reference undertaking and thus as a consequence on projected SCR (which are necessary in the calculation of the risk margin) nor the assets the reference undertaking holds are specified in the baseline.
18. **Option 2.1:** The reference undertaking does not apply the LTG measures of the original undertaking, consequently the projected SCRs to be used for the purpose of the risk margin calculation does not take account of the impact of LTG measures. It is assumed that the reference undertaking invest in risk free assets.
19. **Option 2.2:** The reference undertaking applies the matching adjustment when the original undertaking applies a matching adjustment. For other LTG measures it would be assumed that those are not applied by the reference undertakings.
20. As a consequence when a matching adjustment would be applied, the SCR to be used in the projections takes into account the impact of LTG measures, as the balance sheet would be impacted. It would be assumed that the reference undertaking would be invested in risky assets included in the matching portfolio to receive the matching adjustment and therefore the undertaking would be exposed to market risks (e.g. spread risk).
21. In case other measures apply as well, the SCR to be used for the purpose of the risk margin calculation does not take account of the impact of other LTG measures.
22. **Option 2.3:** It would be assumed that the reference undertaking applies the LTG measures of the original undertakings as well. Consequently it would be assumed that the LTG measures are applied in order to calculate the projected SCR's. There would be need to modify the assumption that the reference undertaking would minimise its market risks, this could result in the assumption that the undertaking is invested in assets which are not risk free.

Policy Issue 3: Clarification of the scope of the transitional measure on technical provisions in connection with matching adjustment (Guideline 3)

23. It has not been clarified in the baseline whether and how the matching adjustment and the transitional measure on technical provisions can be combined.
24. **Option 3.1:** Clarification on the simultaneous application of transitional measures and matching adjustment. It is clarified that simultaneous application of both

measures is allowed to the same insurance and reinsurance obligations but the benefits of the two measures is not additive.

25. **Option 3.2:** No clarification on the application of matching adjustment and transitional measure on technical provisions is given.
26. A third option was initially discussed: "The application of the matching adjustment does exclude the application of transitional measures on the same insurance and reinsurance obligations". However, this option was rejected afterward because in the Solvency II Directive there is no explicit exclusion of the simultaneous application of these two measures as it is done for the simultaneous application of transitional on risk free rate and matching adjustment.

Policy Issue 4: Application of the transitional on risk-free interest rates (Guideline 4)

27. It has not been clarified in the baseline whether undertakings have discretion for the choice on which obligations they want to apply the transitional on risk-free rates.
28. **Option 4.1** (only option): In case the transitional measure on risk-free interest rate is applied it needs to be applied to the whole admissible portfolio.

Policy Issue 5: Interaction between LTG measures and relevant SCR sub-modules (Guidelines 5-7)

29. For the scenario based SCR standard formula sub-modules, the impact of a stress on basic own funds needs to be estimated and thus a recalculation of the technical provisions is required.
30. The spread risk sub-module assumes a change in market spreads which impacts the market value of assets. The volatility adjustment and the transitional measure on the risk-free interest rates are assumed not to change. For the calculation of the risk charge with respect to the respective sub-modules, undertakings need to take into account either the basic or the relevant interest rate term structure. For the interest rate risk sub module, it is assumed that the shocks apply to the basic risk free rate term structure only.
31. In order to ensure a harmonised application of LTG measures, guidance is needed on how the interest rate or spread risks interact with the LTG measures.
32. Taking into account the relevant legal background, it is considered that the Solvency II Directive and Commission Delegated Regulation (EU) 2015/35 only allow for one option in the context of the standard formula.
33. **Option 5.1:** Under this option undertakings are required to assume no change in amounts of adjustments under SCR scenarios.

Policy Issue 6: Interaction between the transitional measure on technical provisions and volume measures depending on technical provisions (Guidelines 8-9)

34. The operational risk sub-module and the Minimum Capital Requirement (hereinafter MCR) are calculated on the basis of volume measures. Those volume measures are based on the amount of technical provisions. The transitional measure on technical provisions is assumed to be an adjustment to the amount of technical provisions. It is not specified in the baseline, whether or not the transitional measure on technical provisions needs to be incorporated in the aforementioned volume measures.
35. **Option 6.1:** Under this option undertakings are required to take into account the transitional in the respective volume measures according to their contribution to the transitional deduction.
36. **Option 6.2:** Under this option undertakings are required to take into account the transitional on technical provisions in the respective volume measures on a pro rata approach.
37. A third option was initially discussed: "Under this option undertakings are not required to take into account the transitional on technical provisions in the respective volume measures". However, this option was rejected afterward because in the Solvency II Directive there is no an explicit exclusion as it is done for the simultaneous application of transitional on risk free rate and matching adjustment.

Section 5: Analysis of Impact

38. The selected options are now analysed with regard to their expected impacts. A more detailed analysis will be done for the chosen options in regard to predefined stakeholder groups:
 - a. Policyholders,
 - b. Undertakings,
 - c. National supervisory authorities (hereinafter, NSAs) and EIOPA,
 - d. Financial Stability.
39. Impacts on financial stability can be considered for all policy issues in a holistic manner, therefore will not be repeated in the subsections. Although the LTG measures themselves may have an impact on financial stability, the different options considered when developing those Guidelines were not deemed to impact either positively or negatively the financial stability. Those Guidelines are issued to foster convergence in the implementation of the measures by insurance and reinsurance undertakings but they do not create or entail per se an increase in systemic risk.
40. With respect to undertakings, in general the use of LTG measures will generate additional costs (e.g. additional systems, additional calculations required). However, these additional costs do not emerge due to the policy options under consideration. The downside of higher implementation costs caused by the use of

LTG measures should be more than balanced by the reduction of capital requirement due to the application thereof.

Policy Issue 1: The effect of the LTG measures on the assumptions underlying policyholder behaviour (Guideline 1)

41. Impact on policyholders: No direct impact on policyholders is to be expected under any of the considered options. Both options aims at ensuring that the policyholder behaviour does not change unduly depending on the undertakings decision to apply or not the LTG measures. A clarification of the use of the LTG measures should enhance the level-playing field in the European single market and facilitate a fair competition between undertakings. As a consequence this may lead to a convergent level of protection of policyholders and a decrease of premiums.
42. Impact on NCAs and EIOPA: No costs are to be expected for NCA's under any of the considered options. In contrast, NCA's may benefit from a higher level of clarification and convergence. This also allows group supervision to be more efficient.
43. Impact on undertakings: Both options aims at ensuring that the policyholder behaviour does not change depending on the undertakings decision to apply or not the LTG measure. Thus, there is no difference in capital requirements for the two options. Additionally any clarification helps to avoid costs for the insurance undertakings in the implementation of the LTG measures as these are new to many insurance undertakings. However, option 1.2 would achieve a lower degree of convergence across the European single market, which could impair the level-playing field.

Policy Issue 2: Interaction of the LTG measures with the risk margin calculation (Guideline 2)

44. Impact on policyholders: option 2.1 and 2.2 are deemed to set the policyholder protection to an appropriate level. Option 2.3, being less prescriptive and subject to inconsistent interpretations by insurance and reinsurance undertakings, may lead to a different degree of policyholder protection depending on how it is implemented by each undertaking. A clarification of the use of the LTG measures, under option 2.1 and 2.2, should enhance the level-playing field in the European single market and facilitate a fair competition between undertakings. As a consequence this may lead to a convergent level of protection of policyholders and a decrease of premiums.
45. Impact on NCAs and EIOPA: No costs are to be expected for NCA's under any of the considered options. In contrast, NCA's may benefit from a higher level of clarification and convergence. This also allows group supervision to be more efficient.
46. Impact on undertakings: The impact of the different options on the capital requirement for undertakings depends on the individual situation of each undertaking. It is not possible to rank accurately the options with respect to their influence on capital requirements as this depends on the individual situation of the undertakings. But Options 2.2 (the reference undertaking applies the matching adjustment of the original undertaking) and 2.3 (the reference undertaking applies

all the LTG measures of the original undertaking) are expected to lead to a higher amount of market risk to be considered in the risk margin calculation than Option 2.1 (the reference undertaking does not apply the LTG of the original undertaking). This is (partly) balanced by allowing undertakings to account for the benefits of applying the LTG measures also in the reference undertaking. Whereas option 2.2 would allow undertakings to assume that the reference undertaking has the benefits of applying the matching adjustment with the consequence of increased market risk, option 2.3 expands this to all LTG measures. Additionally any clarification helps to avoid costs for the insurance undertakings in the implementation of the LTG measures as these measures are new to many insurance undertakings.

Policy Issue 3: Clarification of the scope of the transitional measure on technical provision in connection with matching adjustment (Guideline 3)

47. Impact on policyholders: option 3.1 (clarification on the simultaneous application of transitional measures and matching adjustment) achieve an appropriate level of policyholder protection and the clarification on the use of the LTG measures provided should enhance the level-playing field in the European single market and facilitate a fair competition between undertakings. As a consequence this may lead to a convergent level of protection of policyholders and a decrease of premiums. Option 3.2 (no clarification on the application of matching adjustment and transitional measure on technical provisions) could result in a different level of protection of policyholders depending on the solutions adopted at national level.
48. Impact on NCAs and EIOPA: No costs are to be expected for NCA's under any of the considered options. In contrast, NCA's may benefit from a higher level of clarification and convergence. This also allows group supervision to be more efficient.
49. Impact on undertakings: it is not possible to rank Option 3.1 (the simultaneous application of transitional measures and matching adjustment is allowed but the benefits of the two measures is not additive) and option 3.2 (no clarification) in terms of level of capital requirements since under 3.2 different standards may be applied across jurisdictions. But the clarification given by option 3.1 helps to avoid costs for the insurance undertakings in the implementation of the LTG measures as these are new to many insurance undertakings.

Policy Issue 4: Application of the transitional on risk-free interest rates (Guideline 4)

50. The only option considered for this policy issue is not deemed to create additional costs either for undertakings or for NCAs since the guideline only includes a clarification of the Solvency II Directive intended to facilitate the consistent implementation of the transitional measure on risk-free interest rates..

Policy Issue 5: Interaction between LTG measures and relevant SCR sub-modules (Guidelines 5-7)

51. These guidelines only provide a clarification to foster convergence in the implementation of the Solvency II Directive and the Delegated Regulation. The provided guidance applicable to undertakings using the standard formula for the calculation of the SCR is not deemed to create additional costs either for those undertakings or for NCAs.

Policy Issue 6: Interaction between the transitional measure and volume measures depending on technical provisions (Guidelines 8-9)

52. Impact on policyholders: No quantifiable difference in terms of impact on policyholders can be derived under the considered options (since the impact depends on the situation of each undertaking) but option 6.1 (undertakings are required to take into account the transitional in the respective volume measures according to their contribution to the transitional deduction), providing for a more accurate way to take account of the transitional measure in the SCR operational risk and the MCR, should allow for a more appropriate level of policyholder protection than option 6.2 (pro rata approach). In addition, the clarification of the use of the LTG measures provided by both options should enhance the level-playing field in the European single market and facilitate a fair competition between undertakings. As a consequence this may lead to a convergent level of protection of policyholders and a decrease of premiums.

53. Impact on NCAs and EIOPA: No costs are to be expected for NCA's under any of the considered options. In contrast, NCA's may benefit from a higher level of clarification and convergence of supervision. This also allows group supervision to be more efficient.

54. Impact on undertakings: There is no statement possible whether 6.1 or 6.2 lead to a lower capital requirement as this depends on the individual situation of the undertaking. Nevertheless, any clarification helps to avoid costs for the insurance undertakings in the implementation of the LTG measures as these are new to the insurance undertakings.

Section 6: Comparison of Options

Policy Issue 1: The effect of LTG measures on the assumptions underlying policyholder behaviour (Guideline 1)

55. Even though both options 1.1 and 1.2 can achieve the objective to ensure the character realistic of assumptions where LTG measures are used, Option 1.1 (restricting undertakings to assume a direct impact of the LTG measures on policyholder behaviour's assumptions) was chosen because it represents the simplest and the most harmonised option.

Policy Issue 2: Interaction of the LTG measures with the risk margin calculation (Guideline 2)

56. Policy Option 2.1 (considering that the reference undertaking does not apply the LTG measures of the original undertaking) was chosen, because it is a technically

feasible solution and allows a similar treatment of all LTG measures in with regard to the risk margin.

57. The intention is that all LTG measures are treated in the same way. For this policy issue that specifically means that a consistent treatment of the matching adjustment and the volatility adjustment with respect to the risk margin should be achieved. This would be ensured by option 2.1 and option 2.3.
58. Option 2.2 (the reference undertaking applies the matching adjustment of the original undertaking) was rejected because it does not allow for a consistent treatment between the matching adjustment and the volatility adjustment.
59. Option 2.3 (the reference undertaking applies all the LTG measures of the original undertaking) was rejected as a higher level of clarity and harmonization compared to the baseline would not have been achieved. It was also deemed unrealistic to assume flat adjustments with respect to the LTG measures over the horizon of projection of the SCRs. Finally, defining the precise conditions under which the underlying assumptions of the LTG measures in the Directive are compatible with the assumption of the Delegated Regulation according to which the reference undertaking is to minimize the market risk has been considered out of the scope of these Guidelines.

Policy Issue 3: Clarification of the scope of the transitional measure on technical provisions in connection with the matching adjustment (Guideline 3)

60. The preferred policy option is option 3.1 (clarification on the simultaneous application of transitional measure on technical provisions and matching adjustment). This option closes a gap on the interaction of the transitional measure on technical provisions and the matching adjustment. Furthermore, this option is consistent with the way the simultaneous application of the transitional measure and a volatility adjustment is dealt with under Article 308c of the Directive 2009/138/EC.
61. Option 3.1 does not create additional costs for insurance and reinsurance undertakings, in contrast by this clarification higher convergence can be achieved and legal risks for undertakings are reduced.
62. Option 3.2 (no clarification on the application of matching adjustment and transitional measure on technical provisions) was rejected because it does not provide any convergence in application.

Policy Issue 4: Application of the transitional measure on risk-free interest rates (Guideline 4)

63. The only considered option for this policy issue is option 4.1 (application to the whole admissible portfolio). This option was chosen because it avoids cherry picking by undertakings, when those were under specific circumstances allowed to apply the transitional on the risk-free interest rate on specific parts of their portfolio. Those could result in an underestimation of technical provisions. In addition this option allows for a harmonised calculation of technical provisions.

Policy Issue 5: Interaction between LTG measures and relevant SCR sub-modules (Guidelines 5-7)

64. The only considered option for this policy issue, option 5.1 (assuming no change in amounts of adjustments under SCR scenarios), does not result in additional costs for insurance and reinsurance undertakings and national supervisory authorities as the Guidelines only clarifies which is considered the sole possible option in the context of the standard formula.

Policy Issue 6: Interaction between the transitional measure on technical provisions and volume measures depending on technical provisions (Guidelines 8-9)

65. The preferred policy option is Option 6.1 (taking into account the transitional in the respective volume measures according to their contribution to the transitional deduction). The choice of this option does not lead to additional costs for undertakings as the calculations only need data which are available to the undertakings. Under this option the approach for the calculation is clarified. Option 6.1 guarantees high convergence in the application of the transitional on technical provisions, therefore it reduces legal risks for insurance and reinsurance undertakings and national supervisory authorities.

66. Option 6.2 (undertakings are required to take into account the transitional on technical provisions in the respective volume measures on a pro rata approach) was rejected, because the pro rata approach, although it would help to achieve convergence in application, is an overly simplistic approach. Such an approach is inappropriate firstly because a more sophisticated approach would not be too burdensome and secondly the high relevance of the MCR from a supervisory point of view demands an accurate calculation, therefore it is inappropriate to use simplistic methods to determine it.

Annex III: Resolution of comments

Summary of Comments on Consultation Paper EIOPA-CP-14/049				
CP-14-049-GL on long term guarantee				
<p>EIOPA would like to thank Insurance and Reinsurance Stakeholder Group (IRSG), Actuarial Association of Europe (AAE), AMICE, CFO Forum and CRO Forum, Deloitte Touche Tohmatsu, Federation of European Accountants (FEE), GDV, Insurance Europe, Investment & Life Assurance Group, Nordea Life & Pensions, and Zurich.</p> <p>The numbering of the paragraphs refers to Consultation Paper No. EIOPA-CP-14/049.</p>				
No.	Name	Reference	Comment	Resolution
1.	IRSG	General Comment	<p>The IRSG welcomes the opportunity to comment on these guidelines on the implementation of the long-term guarantee measures.</p> <p>Guideline 7 is particularly of concern:</p> <p>The guideline correctly does not require companies to take into consideration spread risk in the calculation of the risk margin. However, the guidelines states that the capital projections used to calculate the RM should be determined without taking into account the LTG measures the company uses for the SCR calculations. This guideline should be reworded such that the LTG adjustments could be considered in the calculation of the risk margin, without considering spread risk in the calculation.</p> <p>The guideline also assumes that the reference undertaking buying the portfolio does not apply the LTG measures previously applied by the original undertaking, even though it is much more appropriate and a logical assumption.</p>	<p>For guideline 7, there are only two options: either a spread risk is recognized in the RM calculation if the projected capital charges are impacted by the LTG measures; or the capital charges are not impacted by the LTG measures and no spread risk is to be recognised due to LTG measures. Guideline 7 provides for the 2nd option which is less burdensome for undertakings (only one calculation of the risk margin) and more</p>

			<p>It is important to note that the OII package was negotiated and approved based on the outcome of the LTG Assessment where LTG measures were taken into account in the RM calculation.</p> <p>In their own reporting requirements in Technical Provisions Templates S.17.01.b (Non-Life Technical Provisions) and S.17.03.b (Information on the Volatility Adjustment Non-Life Obligations) – EIOPA asks for the allocation of the LTG measures impact on the Risk Margin and Best Estimate – indicating they are applied to the Risk Margin calculation.</p>	<p>sensible due to the fact that the reference undertaking invests in risk-free assets.</p> <p>It is noteworthy that the content of this guideline simply reiterates the message provided by EIOPA in the technical specifications and through the Q&A of the LTGA, whose conclusions underpinned EIOPA’s recommendations and the Omnibus II agreement.</p> <p>See also resolution to comments on GL7 below</p> <p>The inconsistency between the guideline and the reporting templates is identified and will be corrected.</p>
2.	Actuarial Association of Europe (AAE)	General Comment	<p>Please clarify which guidelines refer to companies applying the standard formula and which guidelines refer to all companies, i.e. standard formula, internal model and partial internal model users.</p>	<p>The paper has been reordered to clarify that: the section 1 “valuation” applies to all undertakings, irrespective of whether an internal model or partial internal model is used. Guidelines in Section 2 relating to SCR apply to standard formula users only and the guideline relating to</p>

				the MCR applies to all undertakings.
3.	AMICE	General Comment	<p>AMICE welcomes the opportunity to comment on the guidelines on the LTG adjustments and transitional measures.</p> <p>EIOPA should ensure that the transitional measures are not only applied in the Balance Sheet but also in the SCR calculations. This should be made clear in the guidelines.</p>	It is now clarified in the introduction that the SCR and MCR calculation shall be based on the balance sheet after application of the LTG measures
4.	Federation of European Accountants (FEE)	General Comment	<p>There are a number of important issues where further clarification would be beneficial but which are not addressed in the draft Guidelines. We recommend that guidelines be included on at least the following areas:</p> <p><input type="checkbox"/> How the matching adjustment should be treated for group consolidation. For example can it be assumed that the matching adjustment remains unchanged following group consolidation, or does the matching adjustment need to be recalculated at a group level if some form of internal reinsurance (or internal asset structuring) has been collapsed at a group level</p> <p><input type="checkbox"/> To clarify that the volatility adjustment can be used alongside the discount rate transitional measure. Our understanding from the technical specifications for the preparatory phase is that this is the intention. In addition the reference to the volatility adjustment in the final subparagraph of Article 308c(2) would also indicate that this is the case. However, Article 308c(4)(a) indicates that insurers applying the discount rate transitional measure shall 'not include the admissible insurance and reinsurance obligations in the calculation of the volatility adjustment'. Our interpretation is that Article 308c(4)(a) is not intended to imply that the volatility adjustment cannot be applied to obligations subject to the discount rate transitional measure but rather that the impact of the discount rate transitional measure should not be taken into account in determining the quantification of the volatility adjustment in these circumstances. Clarification in this regard would be welcome.</p>	<p>The guidelines have been drafted from a solo level perspective, but this is duly noted.</p> <p>The volatility adjustment can be used in combination with the transitional set out in Article 308c provided that the level of the transitional takes into account the VA. 308c(4) should be read such that it excludes the possibility to use a VA on top of the combination of VA+the transitional on the same obligations</p>
	GDV	General Comment	GDV welcomes the opportunity to comment on the proposal for guidelines on the implementation of the long term guarantees (LTG) measures.	Guideline 7 reduces the burden for undertakings

			<p>We welcome the clarification of the application of LTG measures. The guidelines clarify open questions from previous studies (such as the LTGA). However, we would like to highlight our concerns regarding the guideline on risk margin. The guideline implies an extra effort. Further the guideline is not in accordance with the methodes used in previous studies that formed the basis for Omnibus II. Moreover, the consistency between the guideline and requirements of Article 38 of the Delegated acts is not clear.</p> <p>The wording "Implementing measures" should be updated.</p> <p>Furthermore, explanatory texts are non-binding explanations and clarifications. This is why they are not and have not been part of the consultations. This should be clarified by EIOPA.</p>	<p>as it implies a single calculation of the risk margin. The opposite solution would have required undertakings to calculate a risk margin twice (with and without the effect of the LTG margin on the projected capital charges).</p> <p>It is noteworthy that the content of this guideline simply reiterates the message provided by EIOPA in the technical specifications and through the Q&A of the LTGA, whose conclusions underpinned EIOPA's recommendations and the Omnibus II agreement.</p> <p>The Guideline and Art.38 of the Delegated Regulation are consistent (see below).</p> <p>"Implementing measures" is now replaced by "Delegated Regulation".</p> <p>Explanatory texts are not binding; they accompany the guidelines for the purpose of the public</p>
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				consultation only.
6.	Insurance Europe	General Comment	<p>Insurance Europe welcomes the opportunity to comment on the Guidelines on the implementation of the long-term guarantee adjustments and transitional measures.</p> <p>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.</p> <p>However, we have the following issue of primary concern.</p> <p>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.</p> <p>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.</p>	<p>For guideline 7, there are only two options: either a spread risk is recognized in the RM calculation if the projected capital charges are impacted by the LTG measures; or the capital charges are not impacted by the LTG measures and no spread risk is to be recognised due to LTG measures. Guideline 7 provides for the 2nd option which is less burdensome for undertakings (only one calculation of the risk margin) and more sensible due to the fact that the reference undertaking invests in risk-free assets.</p> <p>It is noteworthy that the content of this guideline simply reiterates the message provided by EIOPA in the technical specifications and through the Q&A of the LTGA, whose conclusions underpinned EIOPA's recommendations and the Omnibus II agreement.</p> <p>See also resolution to comments on GL7 below</p>

7.	Investment & Life Assurance Group	General Comment	1. It would be useful if the guidelines clarified how the matching adjustment should be treated for group consolidation; eg can it be assumed that the matching adjustment remains unchanged following group consolidation, or does the matching adjustment need to be recalculated at a group level if some form of internal reinsurance (or internal asset structuring) has been collapsed at a group level?	The guidelines have been drafted from a solo level perspective, but this is duly noted.
8.	Nordea Life & Pensions	General Comment	1. Guideline 8 specifies, that the transitional measure on the risk free rates must be applied at the level of the whole portfolio. This provision may reduce the level of capital relief, which the transitional measure was expressly introduced to provide (Omnibus II art 308c). We recommend that the transitional measure should be applied at the level of homogeneous risk groups, in the same fashion as the transitional measure on technical provisions (Omnibus II art 308d)	Contrary to the transitional on technical provisions which may be applied at HRG level as per Article 308d(1), the transitional on risk-free interest rates cannot be applied as the level of HRG. It is precisely the purpose of the GL to make very clear that the Directive requires the transitional on risk-free interest rates to be calculated and applied on the basis of the whole of admissible obligations.
9.	Zurich	General Comment	We would like to thank EIOPA for providing us with the opportunity to voice our views on its Guidelines.	
10.	CFO Forum and CRO Forum	1.6.	1. We would interpret "amount of adjustment" as "amount of adjustment to relevant risk-free interest rate", and not "amount of adjustment to Own Funds" i.e. assuming interest rate down stress is biting, then we would expect SCR with VA is lower than SCR without VA. We would suggest that EIOPA update the wording to clarify by referencing instead to "amount of adjustment to relevant risk-free interest rate".	Agree, this was the intention and this is clarified.
11.	Deloitte Touche Tohmatsu	1.6.	Supposing two insurance undertakings with the same assets and liabilities cashflows; Could we then understand that the total amount of interest rate risk SCR sub-module for a insurance undertaking using VA, MA or a transitional measure on the risk-free interest rate would be the same as for another insurance undertaking which is not using VA, MA or	Disagree, the adjustment to the BRFR is kept fixed but it needs to be added to the shifted BRFR.

			a transitional measure on the risk-free interest rate?	
12.	Federation of European Accountants (FEE)	1.6.	This draft guideline does not appear to add anything to the previously published Guideline 4 of EIPOA's Guidelines on the treatment of market and counterparty risk exposures in the standard formula	This guideline specifies that the adjustment should be kept fixed and the Market risk guideline specifies how to determine the interest rate risk sub-module. The 2 guidelines are complementary.
13.	Insurance Europe	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.	Agree, this is updated
14.	Investment & Life Assurance Group	1.6.	This draft guideline does not appear to add anything to the already published Guideline 4 of EIOPA's Guidelines on the treatment of market and counterparty risk exposures in the standard formula.	This guideline specifies that the adjustment should be kept fixed and the Market risk guideline specifies how to determine the interest rate risk sub-module. The 2 guidelines are complementary.
15.	Zurich	1.6.	GL 1 We would interpret "amount of adjustment" as "amount of adjustment to relevant risk-free interest rate", and not "amount of adjustment to Own Funds" i.e. assuming interest rate down stress is biting, then we would expect SCR with VA is lower than SCR without VA. We would suggest that EIOPA update the wording to clarify by referring instead to "amount of adjustment to relevant risk-free interest rate".	Agree, this was the intention and this is clarified.
16.	Actuarial Association of Europe (AAE)	1.7.	Page 6: (Guideline 2, art 1.7): In the current drafting it is not very obvious that the specific guideline only applies to spread risk in the standard formula. Even though article 1.2. notes that the guidelines focus on the interaction of LTG measures with the SCR calculated in accordance with the standard formula, we would suggest to reiterate this in the guideline or the paragraphs supporting a guideline.	This guideline only provides guidance for standard formula users; the new version of the paper clarifies this further.

17.	AMICE	1.7.	<p>Guideline 2 – Interaction between the volatility adjustment and the transitional measure on risk free interest rates and the spread risk SCR sub-module</p> <p>We welcome the clarification made in guideline 2. Can EIOPA confirm that this guideline only applies when a transitional measure is used? This guideline should in any case be applied when a transitional measure is applied.</p>	<p>This guideline applies either when the volatility adjustment is applied, the transitional measure is applied and when both are applied at the same time. That is the intention of “and/or”, which is now included in the title of the guideline as well for the sake of clarification.</p>
18.	Deloitte Touche Tohmatsu	1.7.	<p>Same question exposed above (reference 1.6) related in this point with the interaction between the VA or the transitional measure on risk-free interest rates and the spread risk SCR sub-module.</p> <p>In the current drafting it is not very obvious that the specific guideline only applies to spread risk in the standard formula. Even though article 1.2. notes that the guidelines focus on the interaction of LTG measures with the SCR calculated in accordance with the standard formula, we would suggest to reiterate this in the guideline or the paragraphs supporting a guideline.</p>	<p>See above. Only applies to the standard formula, which is now clear in the document.</p>
19.	Federation of European Accountants (FEE)	1.7.	<p>The Level 1 Directive and the Delegated Acts do not require that the volatility adjustment must remain unchanged following a spread widening stress. Technically an increase of credit spread of assets should give effect to the volatility adjustment and generate a mitigating effect on SCR. Article 77d.6 of Directive 2014/51 (Omnibus 2) states that “the SCR not cover the risk of loss of basic own funds resulting from changes of the volatility adjustment”. Through this, the Directive prohibits the consideration of losses but not of gains (i.e. reduction in provisions). Since for the matching adjustment the same is accepted, it should be extended to the volatility adjustment.</p>	<p>In the Delegated Regulation, it is only possible to obtain capital relief when using the matching adjustment (see article 181).</p>
20.	Insurance Europe	1.7.	<p>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.</p>	<p>Agreed. It has been changed accordingly.</p>
21.	Investment &	1.7.	<p>Our understanding is that the Level 1 Directive and the Delegated Acts do</p>	<p>See above. Only applies</p>

	Life Assurance Group		not require that the volatility adjustment must remain unchanged following a spread widening stress for an internal model firm. The application of this guideline should be restricted to standard formula firms with internal model firms being required to justify whether and how the volatility adjustment would change in a spread widening stress.	to the standard formula, which is now clear in the document.
22.	Zurich	1.7.	GL 2 We welcome this guideline which is of vital importance for alignment with level 1. Although we note that the focus of these guidelines is the standard formula SCR, we would suggest that EIOPA clarify that this wording should also apply in the context of internal models as well, in order to maintain a level playing field between firms using standard formula and internal models.	With respect to the Guidelines on the implementation of the LTG measures, EIOPA intends to harmonize practices for standard formula users only.
23.	Deloitte Touche Tohmatsu	1.8.	We suggest that the guideline mentions or includes the transitional measures on risk-free interest rates and on the volatility adjustment, since they impact the level of technical provisions for long-term business.	There are specific guidelines for the transitional measures on risk-free interest rates and on the volatility adjustment since they do not apply in the same manner.
24.	Zurich	1.8.	GL 3 We understand from this guideline that SCR using TP transitional = SCR without TP transitional. Will EIOPA clarify this in the LTG measure QRT by forcing the relevant cells to be equal?	The guideline provides that the transitional on technical provisions cannot be re-calculated following a SCR stress to mitigate the capital charge. Nonetheless, the SCR is to be calculated on the basis a balance sheet derived after the application of the transitional measure. Therefore, the guideline does not imply that the SCR using the TP transitional equal the SCR without TP

				transitional.
25.	Deloitte Touche Tohmatsu	1.9.	As it is generally known, the transitional measure on the risk-free interest rate has an impact on the calculation of the technical provisions. Therefore, we suggest that the guideline mentions or includes the transitional measure on risk-free interest rates, since they impact the level of technical provisions for long-term business.	As for any LTG measure, the effect of the RFR transitional should be accounted in the Op Risk and MCR calculation, but this GL specifies the way to do so in the particular case of the TP transitional. There are additional GL on RFR transitional and there will be a clarification in the introduction.
26.	Actuarial Association of Europe (AAE)	1.10.	Typo: "Where the amount of the transitional deduction ..."	Agreed
27.	GDV	1.10.	It should be clarified, that only the difference has to be apportioned across the TP components.	This is now clarified.
28.	Insurance Europe	1.10.	The reference to Art 204 of the DAs could be useful	Reference is now inserted.
29.	Deloitte Touche Tohmatsu	1.11.	Same question exposed above (reference 1.9) related in this point with the interaction between the transitional measure on technical provisions and the MCR calculation.	See above (comment nr. 25)
30.	GDV	1.12.	Refer to our comment in 1.10.	See above (comment nr.27)
31.	Actuarial Association of Europe (AAE)	1.13.	<p>The guideline states that for future discretionary benefit calculations, the increase in the risk free rate (due to VA, MA or transitional measure) should not impact the assumptions on the likelihood that policyholders will exercise options.</p> <p>Our reading of this is that, if you model dynamic policyholder behaviour, you will need to calculate a shadow fund / asset share that receives a return equal to the risk free rate excluding VA, MA, transitional in order to work out whether a policyholder will take up a contractual option.</p>	Indeed, this was not the intention of the guideline. Where undertakings use stochastic simulation techniques to determine technical provisions for their insurance and reinsurance liabilities, dynamic models for the

			<p>Therefore, practically, this is very difficult to achieve and doesn't feel like it would cause a significant change in result.</p> <p>Notwithstanding the above point, we suggest some amendments:</p> <p>Please substitute</p> <p>"When calculating future discretionary benefits, insurance and reinsurance undertakings should ensure..."</p> <p>by</p> <p>"When calculating technical provisions, insurance and reinsurance undertakings should ensure ..."</p> <p>since assumptions on policyholder behaviour have an impact on the whole insurance contract.</p> <p>The explanatory text for Guideline 6 (2.7.) is crucial and helpful in order to interpret Guideline 6. We suggest to insert its key message directly in the Guideline 6 and add accordingly:</p> <p>"Undertakings should avoid creating an immediate link between the assumptions on lapse rates and the use of long term guarantee adjustments and transitional measures. Where, in practice, surrender models rely on the level of the relevant risk-free interest rate term structure, undertakings should ensure that assumptions on policyholder behaviour are still realistic given the increase of the relevant risk-free interest rate term structure caused by the use of long term guarantee adjustments and transitional measures."</p>	<p>specification of the likelihood of the exercise of policyholder options might be used. These models might in turn be based on the risk-free interest rate term structure used. The guideline intends to clarify that policyholder behaviour should not be distorted due to the application of an LTG measure.</p> <p>The guideline is redrafted to reflect its intention in a more practicable way and ensure a consistent understanding.</p> <p>The explanatory text is kept to complete the understanding of the guideline.</p>
32.	CFO Forum and CRO Forum	1.13.	<p>1. LTG measures are completely part of the framework and should not be removed through EIOPA guidelines. This would clearly go beyond the level 1 / 2 requirements.</p> <p>Article 77(2) on calculation of technical provisions in the Directive is crystal clear on the fact that the Best Estimate Liabilities should be determined using the relevant risk free rate curve.</p> <p>Matching Adjustment</p> <p>Article 77b (1).Insurance and reinsurance undertakings may apply a matching adjustment to the relevant risk-free interest rate term structure</p>	<p>Indeed, this was not the intention of the guideline. We note that the drafting of the guideline is improved to better reflect its intention. See also resolution on 31.</p>

		<p>to calculate the best estimate of a portfolio of life insurance or reinsurance obligations, including annuities stemming from non-life insurance or reinsurance contracts subject to prior approval by the supervisory authorities where the following conditions are met:[...]</p> <p>Volatility Adjustment</p> <p>Article 77d (1).Member States may require prior approval by supervisory authorities for insurance and reinsurance undertakings to apply a volatility adjustment to the relevant risk-free interest rate term structure to calculate the best estimate referred to in Article 77(2).</p> <p>Transitional measure on rates</p> <p>Article 308c (1).Insurance and reinsurance undertakings may, subject to prior approval by their supervisory authority, apply a transitional adjustment to the relevant risk-free interest rate term structure with respect to admissible insurance and reinsurance obligations.</p> <p>No additional retreatment is foreseen on the Future Discretionary Benefits (FDB) calculation. It would clearly contradict level 2 text on the FDB stating that:</p> <p>Article 24 Future discretionary benefits</p> <p>Where future discretionary benefits depend on the assets held by the insurance or reinsurance undertaking, undertakings shall base the calculation of the best estimate on the assets currently held by the undertakings and shall assume future changes of their asset allocation in accordance with Article 23. The assumptions on the future returns of the assets shall be consistent with the relevant risk-free interest rate term structure, including where applicable a matching adjustment, a volatility adjustment, or a transitional measure on the risk-free rate, and the valuation of the assets in accordance with Article 75 of Directive 2009/138/EC.</p> <p>In addition, the calculation of the BEL may necessitate complex stochastic modelling. Adjusting the likelihood that policyholders will exercise contractual options within the model would prove highly challenging and costly to implement, and would imply a further set of model / assumption changes. We would also note that applying the wording from the Guideline as drafted would typically reduce conservatism. We would therefore suggest that appropriate, pragmatic simplifications be</p>	
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			<p>permissible.</p> <p>Recital 15 of DAs</p> <p>(15) The choice of the method to calculate the best estimate should be proportionate to the nature, scale and complexity of the risks supported by the insurance or reinsurance undertaking. The range of methods to calculate the best estimate includes simulation, deterministic and analytical techniques. For certain life insurance contracts, in particular where they give rise to discretionary benefits depending on investment returns or where they include financial guarantees and contractual options, simulation methods may lead to a more appropriate calculation of the best estimate.</p>	
33.	Insurance Europe	1.13.	<p>Guideline 6</p> <p>We believe that this Guideline does not prevent from using LTG measures in the calculation of the Future Discretionary Benefits.</p> <p>However, we understand that the problem is a practical one and related to the modelling of FDB (ie the assumptions of lapse rates).</p> <p>Therefore, we suggest the GL to be redrafted in order to allow some simplifications to be permitted:</p> <p>“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.”</p>	<p>Indeed, this was not the intention of the guideline, see also resolutions on 31.</p> <p>The guideline is redrafted to better reflect its intention.</p>
34.	Investment & Life Assurance Group	1.13.	<p>It is unclear why the application of this Guideline is limited to the calculation of future discretionary benefits as opposed to applying to policyholder behaviour more generally in the calculation of technical provisions.</p>	<p>We agree, the guideline is redrafted to also capture policyholder behaviour more</p>

				generally.
35.	Zurich	1.13.	<p>GL 6 Although well-intentioned and reasonable from a theoretical perspective, this guideline is likely to be costly to implement. It would imply a further set of model / assumption changes. Noting that applying the wording from the EIOPA guideline would typically reduce conservatism, we would propose the alternative wording for guideline 6 below, which reinforces that conservative, pragmatic simplifications are permissible:</p> <p>“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.”</p>	<p>The guideline is redrafted to better reflect its intention.</p> <p>Indeed, it was not the intention of the guideline to imply complex changes to the models as such. See also resolutions on 31 for this purpose.</p>
36.	IRSG	1.14.	<p>The guideline correctly does not require companies to take into consideration spread risk in the calculation of the risk margin. However, the guidelines states that the capital projections used to calculate the RM should be determined without taking into account the LTG measures the company uses for the SCR calculations. This guideline should be reworded such that the LTG adjustments could be considered in the calculation of the risk margin, without considering spread risk in the calculation.</p> <p>The guideline also assumes that the reference undertaking buying the portfolio does not apply the LTG measures previously applied by the original undertaking, even though it is much more appropriate and a logical assumption.</p> <p>It is important to note that the OII package was negotiated and approved based on the outcome of the LTG Assessment where LTG measures were</p>	<p>It should be noted that in accordance with Article 38 of the [Solvency II Regulations], all undertakings need to assess whether the reference undertaking would be exposed to material market risk. The guideline does not alter this requirement.</p> <p>The guideline is fully in line with the approach that undertakings were instructed to adopt for the LTGA assessment</p>

			<p>taken into account in the RM calculation.</p> <p>In their own reporting requirements in Technical Provisions Templates S.17.01.b (Non-Life Technical Provisions) and S.17.03.b (Information on the Volatility Adjustment Non-Life Obligations) – EIOPA asks for the allocation of the LTG measures impact on the Risk Margin and Best Estimate – indicating they are applied to the Risk Margin calculation.</p>	<p>(see the LTGA Technical Specification pt. II and also Q&A from the LTGA exercise). It is thus fully consistent with the basis for the Omnibus II negotiation.</p> <p>It is important for the risk margin calculation to be internally consistent and not to allow 'cherry picking' of assumptions concerning the reference undertaking.</p> <p>Any inconsistency between this guideline and the reporting approach is unintentional and will be corrected for.</p>
37.	Actuarial Association of Europe (AAE)	1.14.	<p>Guideline 7: This states that, in the risk margin calculation, the reference undertaking does not apply the MA, VA or transitional measures.</p> <p>The intention of this guideline is presumably to suggest that you do not have to include credit risk on matching adjustment portfolios in the risk margin. However, the wording is ambiguous. This could be interpreted as, upon transfer of the obligations to the reference undertaking they will have an immediate increase in their technical provisions, which should be allowed for.</p> <p>However, we do not believe that this is the intention of this guideline – and Policy Issue 4 confirms that the intention is as we mentioned above, i.e. that the reference undertaking invests in risk free assets (with no credit risk). The guideline needs to be clearer to show that this is the intention.</p>	<p>The intention of the guideline is to ensure consistent assumptions are made concerning the reference undertaking's use of LTG measures.</p> <p>Where the original undertaking does apply the LTG measures, the guideline does not imply that the original undertaking needs to allow for the immediate increase in technical</p>

				provisions that would result upon transfer to the reference undertaking.
38.	AMICE	1.14.	<p>Guideline 7 – Interaction LTG measures and transitional measures with the risk margin calculation</p> <p>We do not see the added value of this guideline. Article 38 of the Delegated Acts states that future SCR should be discounted at the basic risk-free rate (i.e no LTG measures are allowed).</p> <p>When firms decide to use simplifications to calculate the risk margin and decide to apply the one described in “Guideline 61 – Methods to calculate the risk margin” paragraph 1.114 on the Guidelines on Valuation of Technical Provisions, the best estimate is calculated according to paragraph 77 of the Level 1 text (i.e discounted at the relevant risk-free rate).</p>	<p>The guideline does not concern the discount rate used to calculate the present value of future SCRs. Instead it concerns the discount rate used to determine the future SCRs themselves.</p> <p>It is already clear that the present value of the future SCRs is determined using the basic risk-free rate.</p>
39.	CFO Forum and CRO Forum	1.14.	<p>1. We understand the intention of this guideline is to clarify that spread risk is not taken into account in the calculation of the risk margin. However, the proposed wording also requires firms to calculate the risk margin using an SCR projection that excludes the VA or MA. Whilst we welcome the clarification on credit risk we strongly disagree with the use of a different SCR without VA or MA for this Risk Margin calculation, which goes beyond the level 1 / 2 requirements and is not consistent with what has been tested when developing the Solvency II rules (e.g. in LTGA).</p> <p>To address this we suggest that the guideline is amended along the following lines to just clarify that credit risk does not need to be included in the risk margin when applying the LTG measures.</p> <p>“1.14. When calculating the risk margin, insurance and reinsurance undertakings should assume that the reference undertaking does apply the same long-term guarantee measures as the transferring undertaking. However, for the purposes of determining the level of market risk to include within the risk margin calculation in accordance with Article 38(1)(i)(ii) calculating the risk margin in accordance with Article 38 of the</p>	<p>EIOPA disagrees that the guideline goes beyond the Directive or Solvency II Regulations. The guideline is fully consistent with the basis for the LTGA exercise, as noted above.</p> <p>The proposed rewording could not be accepted as it results in ‘cherry-picking’ of the assumptions underlying the risk margin calculation.</p>

			<p>Implementing Measures, insurance and reinsurance undertakings that apply a matching adjustment, a volatility adjustment, a transitional measure on the risk-free rate or a transitional measure on technical provisions should assume that the reference undertaking does not apply any of these measures.”</p> <p>This is consistent with Article 37 (2) which states that where insurance and reinsurance undertakings calculate their Solvency Capital Requirement using an approved internal model and determine that the model is appropriate to calculate the Solvency Capital Requirement referred to in Article 38(2) for each point in time over the lifetime of the insurance and reinsurance obligations, the insurance and reinsurance undertakings shall use the internal model to calculate the amounts SCR(t) referred to in paragraph 1.</p> <p>It is clear that for users of approved IM, the SCR calculated using this internal model should be used. If the model has been approved with LTG measures adjusting the relevant risk free rate curve, those LTG measures should not be excluded from the calculation of the risk margin.</p>	<p>EIOPA does not consider that the guideline introduces a significant additional burden, since undertakings using LTG measures are in any case required to show the effect on the Solvency II balance sheet (including the risk margin) in the absence of the LTG measures.</p>
40.	Deloitte Touche Tohmatsu	1.14.	<p>When calculating the risk margin, insurance undertakings usually use their own SCR calculation as for the SCR of the reference undertaking. Therefore, the effect of this guideline is that insurance undertakings would necessarily recalculate the SCR of the reference undertaking, at least the for the operational SCR calculation which would be different from the SCRru. This could entail a significant workload for a potentially small difference in results.</p>	<p>EIOPA does not consider that the guideline introduces a significant additional burden, since undertakings using LTG measures are in any case required to show the effect on the Solvency II balance sheet (including the risk margin) in the absence of the LTG measures.</p>
41.	Federation of European Accountants (FEE)	1.14.	<p>We are unclear as to the rationale for the reference undertaking not being able to apply the transitional measures or the VA. It would be expected that the reference undertaking would use the volatility adjustment as a substitute for losing the matching adjustment (or apply for its use where the Member State option for supervisory approval of the volatility adjustment has been adopted). As such we are unclear why the calculation of technical provisions of the reference undertaking should not benefit from the volatility adjustment within the discount rate given that</p>	<p>See comments above.</p>

			it is also possible to 'earn' the VA whilst holding risk-free assets such as gilts. If the approach set out in this Guideline is maintained, explanatory text should be added to justify the approach taken.	
42.	GDV	1.14.	<p>The guideline requires that non of the LTG and transitional measures can be applied to calculate the risk margin.</p> <p>The assumption that the reference undertaking does not use LTG and transitional measures, means that the SCR of the reference undertaking must be 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. This means on the one hand an extra effort because the calculation runs nearly twice (with and without LTG-/transitional measures). Secondly, is not clear how requirements of Article 38 of the delegated acts can be met. For example the loss-absorbing capacity of technical provisions in the reference undertaking must correspond for each risk to the loss-absorbing capacity of technical provisions in the original undertaking. However the loss absorbing capacity will change, when the amount of the technical provisions changes. The same applies to the requirement for the management actions which are included in the calculation of technical provisions.</p> <p>The guideline should therefore be changed in such a way that the LTG adjustments could be considered in the calculation of the SCR of the reference undertaking. The non-consideration should be limited in accordance with Article 37 to the discounting of the projected SCR of the reference undertaking. This would be consistent with the method used in previous studies that were the basis of Omnibus II.</p>	EIOPA does not consider the guideline to be incompatible with Article 38. References to 'the original undertaking' in paragraphs 1(j) and 1(l) of Article 38 should be understood as meaning 'the original undertaking <i>under the assumption that the original undertaking does not apply any of the LTG measures</i> '. The substance of those paragraphs of Article 38 is that the reference undertaking should not assume different actions, and should not benefit from a different amount of future discretionary benefits, than would apply to the original undertaking <i>if it were in the same position as the reference undertaking</i> i.e. in the absence of LTG measures.
43.	Insurance Europe	1.14.	<p>Guideline 7</p> <p>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</p>	See comments above regarding consistency with the approach prescribed for the LTGA, and additional resource

			<p>the political agreement of the LTG package.</p> <p>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.</p> <p>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.</p> <p>Thus, the technical provisions, which are taken into account in the calculation of the SCR, must be calculated without LTG and transitional measures.</p> <p>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.</p> <p>It should therefore be reworded in such a way that the LTG adjustments could be considered in the calculation of the risk margin.</p>	burden.
44.	Investment & Life Assurance Group	1.14.	We are unclear as to the rationale for the reference undertaking not being able to apply the volatility adjustment. It would be expected that the reference undertaking would use the volatility adjustment as a substitute for losing the matching adjustment (or apply for its use where the Member State option for supervisory approval of the volatility adjustment has been adopted).	See comments above.
45.	Zurich	1.14.	GL 7: We welcome this guideline from EIOPA, noting that without it, if a logical consistency were to be applied, users of the matching adjustment might otherwise find themselves with a much higher risk margin, which would appear to go against the intention of the LTG package. Furthermore, this guideline simplifies the calculation of the risk margin,	This is well noted.

			since we note that in general for compliance with level 1 Article 51 and level 2 Article 296(2) the risk margin without allowance for LTG measures must anyway be calculated. This guideline is thus helpful in clarifying that only a single version of the risk margin needs to be calculated i.e. without all LTG measures.	
46.	Deloitte Touche Tohmatsu	1.17.	We suggest to mention the transitional measures on technical provisions in this guideline, too.	Disagree; the transitional measure on technical provisions (308d) can be calculated and applied at the level of homogeneous risk groups. The purpose of GL9 is precisely to clarify that this is not authorised when using the transitional measure and risk-free interest rates.
47.	Federation of European Accountants (FEE)	1.17.	We are unsure of the purpose of Guideline 9. The use of the transitional adjustment is subject to supervisory approval. If the supervisor concludes that the application of the transitional adjustment is appropriate for some, but not all, of the admissible obligations (as defined at Article 308c(3)) then we do not think that the supervisor should be precluded from approving the use of the transitional adjustment for such a sub-set of admissible obligations.	Disagree; Article 308c does not allow for picking sub-portfolios among the whole portfolio of admissible obligations.
48.	Investment & Life Assurance Group	1.17.	We are unsure of the purpose of this Guideline. The use of the transitional adjustment is subject to supervisory approval. If the supervisor concludes that the application of the transitional adjustment is appropriate for some, but not all, of the admissible obligations (as defined at Article 308c(3)) then we do not think that the supervisor should be precluded from approving the use of the transitional adjustment for such a sub-set of admissible obligations.	Disagree; Article 308c does not allow for picking sub-portfolios among the whole portfolio of admissible obligations.
49.	Insurance Europe	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.	EIOPA will monitor the appropriateness of the application of the guidelines and will on that basis decide on reviewing them.

50.	Federation of European Accountants (FEE)	2.3.	The explanatory text indicates that guideline 4 does not apply when the transitional measure on technical provisions is applied at the level of homogeneous risk groups. Whilst we understand why the second paragraph of the guideline would not apply in these circumstances we are unclear why the first paragraph would not still be relevant.	Agree, the wording has been changed
51.	Investment & Life Assurance Group	2.3.	This paragraph indicates that Guideline 4 does not apply when the transitional measure on technical provisions is applied at the level of homogeneous risk groups. Whilst we understand why the second paragraph of the guideline would not apply in these circumstances we are unclear why the first paragraph would not still be relevant.	Agree, the wording has been changed
52.	Insurance Europe	2.5.	A reference to the Implementing measures is missing as included in GL5 of the main text	Noted, the text has been updated
53.	Federation of European Accountants (FEE)	2.6.	The explanatory text indicates that guideline 5 does not apply when the transitional measure on technical provisions is applied at the level of homogeneous risk groups. Whilst we understand why the second paragraph of the guideline would not apply in these circumstances we are unclear why the first paragraph would not still be relevant. In addition paragraph 2.6 of the explanatory text erroneously refers to the 'volume measures of the operational risk' - this guideline does not deal with operational risk.	Agree, the wording has been changed
54.	Investment & Life Assurance Group	2.6.	This paragraph indicates that Guideline 5 does not apply when the transitional measure on technical provisions is applied at the level of homogeneous risk groups. Whilst we understand why the second paragraph of the guideline would not apply in these circumstances we are unclear why the first paragraph would not still be relevant. In addition the reference to 'volume measures of the operational risk' should be removed as this guideline does not deal with operational risk.	Agree, the wording has been changed
55.	Actuarial Association of Europe (AAE)	2.7.	The explanatory text is crucial and helpful in order to interpret guideline 6.	The guideline is redrafted and the explanatory text is kept to ensure the full understanding of the guideline.
56.	Federation of European Accountants	2.7.	It is unclear why the application of Guideline 6 is limited to the calculation of future discretionary benefits as opposed to applying to policyholder behaviour more generally in the calculation of technical	We agree, the guideline is redrafted to also capture policyholder

	(FEE)		provisions	behaviour more generally.
57.	Investment & Life Assurance Group	17.	Agree that option 2.1 is the preferred method as it requires no additional calculations for the technical provisions and hence is simpler and more cost effective for firms.	Noted, this is indeed the option reflected in the guideline
58.	Investment & Life Assurance Group	21.	Both options require additional work for firms. However we agree that option 3.1 would be simpler to apply and would ensure more consistency across firms.	Noted, this is indeed the option reflected in the guideline
59.	Investment & Life Assurance Group	26.	Our preference would be for option 4.1 as, although it requires additional calculations for the firm, ensures the long term guarantee adjustments and transitional measures are treated similarly.	Noted, this is indeed the option reflected in the guideline
60.	Investment & Life Assurance Group	32.	We agree that option 5.1 is the most suitable as it requires no additional calculations for the firm.	Noted, this is indeed the option reflected in the guideline
61.	Insurance Europe	51.	<p>Rejection of Options 4.2 and 4.3.</p> <p>The only reason for rejecting these options is the inconsistent treatment between MA and VA.</p> <p>Because 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.</p> <p>Regarding the MA, when the original undertaking applies a MA (as per Option 4.2 on page 14), the asset portfolio being transferred to the reference undertaking will remain eligible for a matching adjustment application.</p> <p>Furthermore, having the reference undertaking to apply the MA and VA is consistent with the treatment under the LTGA.</p>	<p>It was clearly the intention of the co-legislators that all LTG-measures are treated in the same way, including the risk margin calculation.</p> <p>Regarding the MA, Article 38(1)(h) excludes the possibility for the reference undertaking to receive as it stands the MA asset portfolio of the original undertaking.</p> <p>Regarding the VA, there is an underlying assumption that undertakings using the VA match long term guarantee with assets exposed to spread risk. If</p>

				<p>those obligations are matched with risk-free assets, the VA would give rise to an undue gain in own funds deviating from the underlying assumption of the VA as referred to in Article 37(1)(d) of the Directive. Given that the reference undertaking is required to invest in risk-free assets, it is hence logical that it does not apply a volatility adjustment.</p>
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