

**Comments Template on
Consultation Paper on Further Work on Solvency of IORPs**

**Deadline
13 January 2015
23:59 CET**

Name of Company:	FFSA French Federation of Insurance Companies	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ Do not change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool ⇒ Leave the last column <u>empty</u>. ⇒ Please fill in your comment/response in the relevant row. If you have <u>no response</u> to a question, keep the row <u>empty</u>. ⇒ Our IT tool does not allow processing of comments/responses which do not refer to the specific numbers below. <p>Please send the completed template, <u>in Word Format</u>, to CP-14-040@eiopa.europa.eu . Our IT tool does not allow processing of any other formats.</p> <p>The numbering of the questions refers to Consultation Paper on Further Work on Solvency of IORPs.</p>		
Reference	Comment	
General Comment	<p>FFSA is pleased to comment on EIOPA's consultation on "further work on solvency for IORPs and welcomes the EIOPA's initiative to produce technical specifications in view of an EIOPA quantitative impact assessment and, subsequently, technical advice to the European Commission on EU solvency rules for IORPs.</p> <p>We believe that further discussions will be needed as a follow-up to this consultation and welcome EIOPA's intention to conduct a second Quantitative Impact Study.</p>	

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	<p>About the consultation, FFSA thinks that the main principles with the HBS should be the following :</p> <ul style="list-style-type: none"> - Consistency with Solvency II : the principle of same rules- same capital should apply between IORPs and insurers. Also given the long-term nature of pensions FFSA would advise to take a long-term approach in the risk evaluation both for IORPs and retirement contracts in Solvency II. - HBS should be used as a tool to perform a risk evaluation for pensions and to quantify and describe the pension deal and its financing to supervisor and beneficiaries. But it cant replace solvency requirements wich will have to be put in place. - All valuation rules should be harmonised at EU level (interest rate etc) to insure the same level of protection for beneficiaries. The supervisory framework should reflect this so that adjustments be introduced in order to better adress long term nature of pension liabilities. <p>As for the valuation, since the HBS presents a member's/beneficiary's perspective, we dont think that rights attributed to members should play the role of adjustment variable in the project. In the extreme, it could lead to envisage that the portion of the pension benefits that can not be funded, could be included in the balance sheet.</p> <p>A relevant regulation should properly treat cross-border activities by ensuring harmonisation at European level while avoiding unlevel playind field within the EU. Sufficient attention should be paid on the risk that different solvency regimes may apply in one single country which would endanger members or beneficiaires protection of that country. This holds true where lower solvency requirements are permitted for cross-border activities.</p>	
Q1	Yes. Contract boundaries should be linked to the nature and the term of liabilities.	
Q2	Yes.	
Q3		

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Q4		
Q5	Yes, the unilateral rights of an IORP to terminate the contract or the promise or reject additional contributions to the contract or modify the promise in a way that contributions fully reflect the risk should be the basis for a definition of contract boundaries for IORPs, but the promise must be clearly stated to plan members.	
Q6	Yes. Section 4.2.5 Relation of contribution / benefits shows how contributions / benefits relationship for IORP can be different from that of insurance contracts, since even acquired rights may require future additional funding. It shows how SCR calculation's horizon of a one year period is inappropriate for pensions.	
Q7	Yes	
Q8	Yes in principle "regular contributions" should be recognised in technical provisions and sponsor support should be treated separately.	
Q9	Not in technical provisions but assigned to the accounting result.	
Q10		
Q11	Yes, the contract boundaries could be defined based on future benefit payments rather than contribution or premiums, for DB plans and also yes for DC plans if the employer has an obligation to pay contributions in the future.	
Q12		
Q13	We would prefer the expression « conditionnal » rather than "non-unconditional".	
Q14	Yes.	
Q15		
Q16		
Q17		
Q18	2a + 2b since the insured / plan members are less protected if contributions funding the future rights are not paid.	
Q19		

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Q20	Yes.	
Q21		
Q22		
Q23	Yes. Also examples provided may not be technically viable since, the promess may be linked to renewal of the population.	
Q24		
Q25		
Q26	The monitoring of pension plans includes more elements than those that appear in the HBS: several parameters can change the future revenue and expenses, and possibly the IORP may use several sources of funding. So it seems difficult to set a quantified relationship between the coverage ratio of an IORP and discretionary decisions.	
Q27	Yes provided all necessary information are clearly given in contracts boundary.	
Q28	Yes provided all necessary information are clearly given in contracts boundary.	
Q29	No. Non-legally enforceable sponsor support cannot be included in the HBS. Only legally enforceable sponsor for wich a clear definition is needed to be stated at EU level should be recognised in the HBS.	
Q30		
Q31	Option 2 in order to avoid that using option 1 would lead to an artificial high coverage ratio.	
Q32	Yes	
Q33	Yes	
Q34	Option 3. Supervisory approval will ensure a uniform application and avoid undue unlevel playing field.	
Q35	No. Benefit reduction mechanisms should be considered as assets.	
Q36	No. Valuation of sponsor support should be clearly defined at EU level, for harmonisation, comparability, level playing field and consumer information / protection.	
Q37	Yes.	

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Q38	Yes and the default probability should be defined at European level to ensure harmonisation, comparability and level playing field.	
Q39	Sponsor support should be a balancing item if it is legally enforceable when it has been established that there is no IORPs' credit risk exposure to the sponsor.	
Q40	See comments on Q39.	
Q41		
Q42		
Q43	Pension Protection Scheme (PPS) should not be considered as a balancing item as this would contradict the purpose of a pension protection scheme, which is set up as a mechanism of last resort.	
Q44		
Q45		
Q46		
Q47	Both sponsor support definition and valuation rules should be decided at EU level (modelling of the size, timing horizon and incidence of future sponsor support cashflows, probability of default of the sponsor, what is recoverable from the sponsor in the event of sponsor default, stochastic modelling guidance on probabilities of sponsor default and asset returns, discount rates for sponsor support).	
Q48		
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Q57		
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Q61	The appropriate period could be defined and amended by the supervisor based on the IORP profile and conditions, it could be for example the minimum between length of the recovery plan and duration of liabilities.	
Q62		
Q63		
Q64		
Q65		
Q66		
Q67		
Q68		
Q69	Cf. Q 43 - Pension Protection Scheme (PPS) should not be considered as a balancing item as this would contradict the purpose of a pension protection scheme, which is set up as a mechanism of last resort.	
Q70	Cf. Q43 - Pension Protection Scheme (PPS) should not be considered as a balancing item as this would contradict the purpose of a pension protection scheme, which is set up as a mechanism of last resort.	
Q71		
Q72	FFSA supports the introduction of risk-based capital requirements for IORPs to allow members and beneficiaries of occupational pension schemes, independently of the provider, to benefit from standards of protection. The HBS is a starting point to calculate Pillar I requirements.	
Q73	Yes, the holistic balance sheet should be used as a risk management tool as part of pillar 2 requirements and also as a starting point to calculate Pillar I requirements.	
Q74	Yes, the outcomes of a pillar 2 assessment should be publicly disclosed as part of pillar 3	

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	requirements, provided that the HBS should also be used as a starting point to calculate Pillar I requirements.	
Q75	Yes, that competent authorities should be empowered to take supervisory action based on the pillar 2 assessment of the holistic balance sheet, provided that the HBS should also be used as a starting point to calculate Pillar I requirements.	
Q76	Cf. Q 29 - Non-legally enforceable sponsor support cannot be included in the HBS. Only legally enforceable sponsor for which a clear definition is needed to be stated at EU level should be recognised in the HBS.	
Q77	Cf. Q 43 - Pension Protection Scheme (PPS) should not be considered as a balancing item as this would contradict the purpose of a pension protection scheme, which is set up as a mechanism of last resort.	
Q78	Yes, pure discretionary benefits should not be included on an IORP's pillar 1 balance sheet, as these do not represent a part of the benefit promise that needs to be protected by quantitative requirements.	
Q79	Option 1: Include mixed benefits on the holistic balance sheet, but allow for full loss-absorbing capacity when calculating the net SCR.	
Q80	Option 3 which covers 1 and 2: Include all benefit reductions on the holistic balance sheet.	
Q81		
Q82	Yes, off-balance capital instruments should always be eligible to cover the SCR.	
Q83	Yes, surplus funds should always be recognised on an IORP's balance sheet and could always be used to cover capital requirements.	
Q84	Yes, subordinated loans should always be recognised on an IORP's balance sheet and could, in possible future decisions to introduce restrictions, be used to cover capital requirements.	
Q85	Level A with long term adjustment mechanisms based on market consistent valuation and taking into account the long nature of IORP liabilities.	
Q86	Yes, the Level B best estimate should be subject to prior approval of the national supervisor with a member state option.	
Q87	Level A with long term adjustment mechanisms based on market consistent valuation and taking into account the long nature of IORP liabilities.	

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Q88	Yes, If the Level B best estimate were to be used, in order to ensure a level playing field, it should be subject to prior approval of the national supervisor or applied as a member state option.	
Q89		
Q90	Yes. Same protection for all beneficiaries. Supervisory actions should be comparable across member states in order to ensure high level of protection of members and beneficiaries and avoid regulatory arbitrage and unlevel playing field.	
Q91	It should be short with an option to the supervisor for extension when needed.	
Q92		
Q93	Yes. Same protection for all beneficiaries. Supervisory actions should be comparable across member states in order to ensure high level of protection of members and beneficiaries and avoid regulatory arbitrage and unlevel playing field.	
Q94		
Q95		
Q96	There should be rules given, defined and stated at EU level. Supervisory actions should be comparable across member states in order to ensure high level of protection of members and beneficiaries and avoid regulatory arbitrage and unlevel playing field.	
Q97		
Q98	Adapted and appropriate transitional measures with necessary long time period are needed to ensure appropriate entry into a new prudential regime. Within Solvency II, the Transitional measures are set up to 16 years. A similar approach could be taken for IORPs not to penalize them compared to insurers.	
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Q100		
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Q106		
Q107		
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Q111		

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