

**Comments Template on the  
Consultation Paper  
on the methodology to derive the UFR and its implementation**

**Deadline  
18 July 2016  
23:59 CET**

Name of Company:	Allianz Group	
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"> <li>⇒ Do <b>not</b> change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool</li> <li>⇒ Leave the last column <u>empty</u>.</li> <li>⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph or a cell, keep the row <u>empty</u>.</li> <li>⇒ Our IT tool does not allow processing of comments which do not refer to the specific numbers below.</li> </ul> <p><b>Please send the completed template, <u>in Word Format</u>, to <a href="mailto:CP-16-003@eiopa.europa.eu">CP-16-003@eiopa.europa.eu</a></b></p> <p><b>Our IT tool does not allow processing of any other formats.</b></p> <p>The numbering of the paragraphs refers to on the Consultation Paper on the methodology to derive the UFR and its implementation.</p>		
<b>Reference</b>	<b>Comment</b>	
General Comment	<p>Allianz welcomes the opportunity to comment on the consultation paper on the methodology to derive the UFR and its implementation. We support the separate comments to this consultation made by Insurance Europe, the Gesamtverband der Deutschen Versicherungswirtschaft (GDV) and the joined response by the CFO Forum and CRO Forum.</p> <p>In addition we want to highlight the following considerations, which in our opinion are particularly important to consider:</p>	

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- The current level of the UFR is an integral part of the agreement on the Long-Term-Guarantee package compromise that underpins the Solvency II directive. It should not be changed in isolation within the first months after Solvency II was enacted without considering other related elements of Solvency II in order to maintain an overall consistency of calibration.
  - If implemented as suggested, the proposed UFR methodology would result in annual changes in the level of the UFR, which is not in line with the legal requirement for the UFR to be "... stable and only change as a result of changes in long-term expectations" (Art. 47(1), Solvency II regulation (EU) 2015/35).
  - The UFR by definition represents an expectation of the interest rate environment 60 years and more in the future. Given the complexity of such long-term economic forecasts, a UFR methodology that is based on a mechanistic approach without taking into account expert knowledge seems not advisable where unwarranted short term volatility in the UFR needs to be avoided. In particular the current low yield environment, which is attributable to the current monetary policy of the ECB, should not trigger a change in expectations of the interest rate environment 60 years from today.
  - The actual discount rates for insurance liability valuation, derived from the current UFR, are already very low, e.g. 1,33% for a 20-year liability and 2,99% for a 60-year liability. As such the UFR is a parameter that impacts discount rates, but is not a discount rate itself.
- Against this background we suggest:
- The UFR level should remain stable (at 4.2% for EUR) at least until the official Solvency II review in 2018.
  - After 2018 the UFR should be subject to a periodic review (e.g. every 10 years) taking into account expert opinion for each such review. Any resulting changes in the UFR should be phased in over time (e.g. 10 bp each year).

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