

Comments Template on EIOPA-CP EIOPA-CP-14-049 Draft proposal for Level 3 Guidance on the implementation of the long term guarantees measures		Deadline 02.Mar.2015 23:59 CET
Company name:	Investment & Life Assurance Group	
Disclosure of comments:	EIOPA will make all comments available on its website, except where respondents specifically request that their comments remain confidential. Please indicate if your comments on this CP should be treated as confidential, by deleting the word Public in the column to the right and by inserting the word Confidential.	Public
<p>Please follow the instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ <u>Do not change the numbering</u> in column "Reference". ⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph, keep the row <u>empty</u>. ⇒ Our IT tool does not allow processing of comments which do not refer to the specific paragraph numbers below. <ul style="list-style-type: none"> ○ If your comment refers to multiple paragraphs, please insert your comment at the first relevant paragraph and mention in your comment to which other paragraphs this also applies. ○ If your comment refers to sub-bullets/sub-paragraphs, please indicate this in the comment itself. <p>Please send the completed template to Consultation_Set2@eiopa.europa.eu, in MSWord Format, (our IT tool does not allow processing of any other formats).</p> <p>The paragraph numbers below correspond to Consultation Paper No. EIOPA-CP-14-049.</p>		
Reference	Comment	
General Comment	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?	
1.1.		

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1.2.		
1.3.		
1.4.		
1.5.		
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.	
1.7.	Our understanding is that the Level 1 Directive and the Delegated Acts do 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.	
1.8.		
1.9.		
1.10.		
1.11.		
1.12.		
1.13.	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.	
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).	
1.15.		
1.16.		
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	

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	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.	
1.18.		
1.19.		
1.20.		
1.21.		
1.22.		
2.1.		
2.2.		
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.	
2.4.		
2.5.		
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.	
2.7.		
Annex		
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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.	
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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.	
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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.	
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32.	We agree that option 5.1 is the most suitable as it requires no additional calculations for the firm.	
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