

**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:	Storebrand ASA, Norway	
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>The Storebrand Group is a leading player in the Nordic market for long-term savings and insurance, operating a total of 1.8 million customers in Norway and Sweden.</p> <p>Storebrand supports the view put forward by Insurance Europe that the UFR value should be kept at its current level until the review of the Solvency II standard formula.</p> <p>Storebrand would like to comment on the proposed bucket approach for expected inflation. We believe central bank inflation targets should be used instead. If a bucket approach is used, it should be more granular, and in line with the international</p>	

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	standard from IAIS.	
Q1. (pg. 56)		
Q2. (pg. 56)		
Q3. (pg. 56)		
Q4. (pg. 56)	<p><i>Q4: "According to the proposed methodology, there are four buckets for the expected inflation rate (1%, 2%, 3% and 4%). Do you consider it appropriate to use inflation buckets and the choice of buckets adequate?"</i></p> <p>Storebrand believe the best option is "Alternative 3", where the expected inflation is set equal to the inflation target for that currency (paragraph 109 and 110). A large number of central banks have an inflation target, and as EIOPA points out, these inflation targets have an important influence on the expected inflation. We therefore see no appropriate reason why one should opt for a bucket-approach instead. The isolated effect of the proposed bucket approach for Norwegian insurers is a reduction of the UFR with 50 bp, from 2,5 % to 2 %.</p> <p>The buckets are meant to serve as proxies for the local central bank expected inflation rate for that particular currency. Storebrand finds the use of rather imprecise buckets for the expected inflation rate in vast contrast to the rest of the fine-tuned and granular modeling of other components in the Solvency II regime. Further, the rules for determining the right bucket are not quite in accordance with general rounding rules.</p> <p>If EIOPA decides to use a bucket approach, it should be in line with the international standard from IAIS, as described in paragraph 204. The IAIS bucket approach, using 6 buckets, 2.5 % being one of them, would be more fine-tuned and appropriate for currencies that do not fit into the few EIOPA buckets. A more granulated approach to the buckets would also address the volatility EIOPA predict if the pure inflation target is used.</p>	
Q5. (pg. 56)		

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

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

Q6. (pg. 56)		
Q7. (pg. 56)		
Paragraph 1.		
Paragraph 2.		
Paragraph 3.		
Paragraph 4.		
Paragraph 5.		
Paragraph 6.		
Paragraph 7.		
Paragraph 8.		
Paragraph 9.		
Paragraph 10.		
Paragraph 11.		
Paragraph 12.		
Paragraph 13.		
Paragraph 14.		
Paragraph 15.		
Paragraph 16.		
Paragraph 17.		
Paragraph 18.		
Paragraph 19.		
Paragraph 20.		
Paragraph 21.		
Paragraph 22.		

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

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

Paragraph 23.		
Paragraph 24.		
Paragraph 25.		
Paragraph 26.		
Paragraph 27.		
Paragraph 28.		
Paragraph 29.		
Paragraph 30.		
Paragraph 31.		
Paragraph 32.		
Paragraph 33.		
Paragraph 34.		
Paragraph 35.		
Paragraph 36.		
Paragraph 37.		
Paragraph 38.		
Paragraph 39.		
Paragraph 40.		
Paragraph 41.		
Paragraph 42.		
Paragraph 43.		
Paragraph 44.		
Paragraph 45.		
Paragraph 46.		
Paragraph 47.		

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

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

Paragraph 48.		
Paragraph 49.		
Paragraph 50.		
Paragraph 51.		
Paragraph 52.		
Paragraph 53.		
Paragraph 54.		
Paragraph 55.		
Paragraph 56.		
Paragraph 57.		
Paragraph 58.		
Paragraph 59.		
Paragraph 60.		
Paragraph 61.		
Paragraph 62.		
Paragraph 63.		
Paragraph 64.		
Paragraph 65.		
Paragraph 66.		
Paragraph 67.		
Paragraph 68.		
Paragraph 69.		
Paragraph 70.		
Paragraph 71.		
Paragraph 72.		

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

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

Paragraph 73.		
Paragraph 74.		
Paragraph 75.		
Paragraph 76.		
Paragraph 77.		
Paragraph 78.		
Paragraph 79.		
Paragraph 80.		
Paragraph 81.		
Paragraph 82.		
Paragraph 83.		
Paragraph 84.		
Paragraph 85.		
Paragraph 86.		
Paragraph 87.		
Paragraph 88.		
Paragraph 89.		
Paragraph 90.		
Paragraph 91.		
Paragraph 92.		
Paragraph 93.		
Paragraph 94.		
Paragraph 95.		
Paragraph 96.		
Paragraph 97.		

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

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

Paragraph 98.		
Paragraph 99.		
Paragraph 100.		
Paragraph 101.		
Paragraph 102.		
Paragraph 103.		
Paragraph 104.		
Paragraph 105.		
Paragraph 106.		
Paragraph 107.		
Paragraph 108.		
Paragraph 109.		
Paragraph 110.		
Paragraph 111.		
Paragraph 112.		
Paragraph 113.		
Paragraph 114.		
Paragraph 115.		
Paragraph 116.		
Paragraph 117.		
Paragraph 118.		
Paragraph 119.		
Paragraph 120.		
Paragraph 121.		
Paragraph 122.		

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

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

Paragraph 123.		
Paragraph 124.		
Paragraph 125.		
Paragraph 126.		
Paragraph 127.		
Paragraph 128.		
Paragraph 129.		
Paragraph 130.		
Paragraph 131.		
Paragraph 132.		
Paragraph 133.		
Paragraph 134.		
Paragraph 135.		
Paragraph 136.		
Paragraph 137.		
Paragraph 138.		
Paragraph 139.		
Paragraph 140.		
Paragraph 141.		
Paragraph 142.		
Paragraph 143.		
Paragraph 144.		
Paragraph 145.		
Paragraph 146.		
Paragraph 147.		

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

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

Paragraph 148.		
Paragraph 149.		
Paragraph 150.		
Paragraph 151.		
Paragraph 152.		
Paragraph 153.		
Paragraph 154.		
Paragraph 155.		
Paragraph 156.		
Paragraph 157.		
Paragraph 158.		
Paragraph 159.		
Paragraph 160.		
Paragraph 161.		
Paragraph 162.		
Paragraph 163.		
Paragraph 164.		
Paragraph 165.		
Paragraph 166.		
Paragraph 167.		
Paragraph 168.		
Paragraph 169.		
Paragraph 170.		
Paragraph 171.		
Paragraph 172.		

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

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

Paragraph 173.		
Paragraph 174.		
Paragraph 175.		
Paragraph 176.		
Paragraph 177.		
Paragraph 178.		
Paragraph 179.		
Paragraph 180.		
Paragraph 181.		
Paragraph 182.		
Paragraph 183.		
Paragraph 184.		
Paragraph 185.		
Paragraph 186.		
Paragraph 187.		
Paragraph 188.		
Paragraph 189.		
Paragraph 190.		
Paragraph 191.		
Paragraph 192.		
Paragraph 193.		
Paragraph 194.		
Paragraph 195.		
Paragraph 196.		
Paragraph 197.		

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

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

Paragraph 198.		
Paragraph 199.		
Paragraph 200.		
Paragraph 201.		
Paragraph 202.		
Paragraph 203.		
Paragraph 204.		
Paragraph 205.		
Paragraph 206.		
Paragraph 207.		
Paragraph 208.		
Paragraph 209.		
Paragraph 210.		
Paragraph 211.		
Paragraph 212.		
Paragraph 213.		
Paragraph 214.		
Paragraph 215.		
Paragraph 216.		
Paragraph 217.		
Paragraph 218.		
Paragraph 219.		
Paragraph 220.		
Paragraph 221.		
Paragraph 222.		

<b>Comments Template on the Consultation Paper on the methodology to derive the UFR and its implementation</b>		<b>Deadline 18 July 2016 23:59 CET</b>
Paragraph 223.		
Paragraph 224.		
Paragraph 225.		
Paragraph 226.		
Paragraph 227.		
Paragraph 228.		
Paragraph 229.		
Paragraph 230.		
Paragraph 231.		