

**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:	Zurich	
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	We would like to thank EIOPA for providing us with the opportunity to voice our views on its Guidelines.	
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1.2.		
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1.4.		
1.5.		
1.6.	<p>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".</p>	
1.7.	<p>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.</p>	
1.8.	<p>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?</p>	
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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.</p> <p><u>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.</u></p>	

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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, 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.	
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Annex		
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