<table>
<tr><td colspan="2">Comments Template on EIOPA-CP-14-058
Draft proposal proposal for Implementing Technical Standards on the equity index for the symmetric adjustment of the equity capital charge</td><td>Deadline
02.Mar.2015
23:59 CET</td></tr>
<tr><td>Company name:</td><td colspan="2">Insurance Europe</td></tr>
<tr><td>Disclosure of comments:</td><td>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.</td><td>Public</td></tr>
<tr><td></td><td colspan="2">Please follow the instructions for filling in the template:
⇨ <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.
o 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.
o If your comment refers to sub-bullets/sub-paragraphs, please indicate this in the comment itself.
Please send the completed template to <u>Consultation_Set2@eiopa.europa.eu</u>, <u>in MSWord Format</u>, (our IT tool does not allow processing of any other formats).

The paragraph numbers below correspond to Consultation Paper No. EIOPA-CP-14-058.</td></tr>
<tr><td>Reference</td><td colspan="2">Comment</td></tr>
<tr><td>General Comment</td><td>Insurance Europe welcomes the opportunity to comment on the ITS on the equity index for the symmetric adjustment of the equity capital charge

We aknowledge the fact that EIOPA has improved their approach when developing a list of equity indices and their weights instead of a single equity index.</td><td></td></tr>
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However, our issues of primary concern related to this paper are the following:

- **The list in the Annex does not include an index that is representative of Type 2 equities**. This was not an issue in the previous consultation and therefore, EIOPA should address this shortcoming.

  According to the Delegated Acts, Article 172(1)(a), the equity index is meant to measure the market price of a diversified portfolio of equities which is representative of the nature of equities typically held by insurance and reinsurance undertakings,

- We therefore suggest to add this information in the list. EIOPA should ensure that the index is built on the average representative portfolio of equities hold by insurance undertakings. The calibration of parameters should be consistent with other mechanisms defined in the Solvency II Directive, as for the VA.

- For **transparency reasons, the justification of the selection of weights** should be moved to the technical annex, which is now included in the impact assessment.

- **The proposed weights seem outdated** since they are based on first quarter 2013 collected by EIOPA across the EU market. This could diverge even more from reality when SII comes into force. Therefore, EIOPA needs to identify and address this weakness (eg through a periodic refresh of the weights and the indexes). We also suggest EIOPA to make sure that the publication of the adjustment is at least on a monthly basis as already mentioned in the excel file on the equity index published by EIOPA

- **EIOPA should commit to a precise timing regarding the publication of the symmetric adjustment or the constructed index** (eg at the latest the 3rd working day after the end of the quarter). Furthermore, **the adjustment should be stabilised and be available to undertakings very early in the process** to facilitate the calculations for Solvency II

	requirements.	
Article 1	Regarding the definition of "closing level", it is unclear exactly which period in time is chosen for the construction of the index since in certain instances this can have a impact (eg Is that COB of the country in which the index is localised? Is that 16.00 CET? Or something else). At closing level, it is not specified if EIOPA will assess whether the last quotes are reflective of an active deep and liquid market or will assume this is the case. When considering a comparable example, eg for the discount rate ,there might be an impact from the timing of the setting of the curve. The market in certain moments is less liquid and more receptive for manipulations than other moments in time. The same holds for any other market observable input. Thus a clear moment in time is needed to avoid any discussion.	
Article 2	EIOPA does not mention how they cope with material "trend breaches" and whether on a regular basis an index is assessed and certain funds will be dropped in favour of others. In the past indexes have been adjusted on an annual basis to reflect changes in companies/ownership structure and relative importance. At least once a year companies are removed from the index and others included. This can have an impact on the index. Therefore EIOPA should cope with these technical adjustments.A reference to the symmetric adjustment (SA) formula in Article 172(2) of the Delegated Acts should be made for the purposes of clarity, in order to illustrate how the calculation of the SA uses the equity index. Article 2(1) should also clearly reference the table of indices in the Annex.	
Article 3		
Annex	The list in the Annex does not include an index that is representative of Type 2 equities. This was not an issue in the previous consultation and therefore, EIOPA should address this shortcoming.	

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Impact Assessment	EIOPA opts for the Non-total return version of the equity indices based on option 3.2 However, it is not clear if this means the net-return indices (ie dividends are reinvested in the stock market after deduction of taxes on those dividends) or the Price indices (dividends are not reinvested in the index at all)	