	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:	Institute and Faculty of Actuaries	
Disclosure of comments:	EIOPA will make all comments available on its website, except where respondents specifically request that their comments remain confidential.	Public
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	⇒ Do not change the numbering in column "Reference".	
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	Our IT tool does not allow processing of comments which do not refer to the specific paragraph numbers below.	
	 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. 	
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	The paragraph numbers below correspond to Consultation Paper No. EIOPA-CP-14-049.	
Reference	Comment	
General Comment		
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1.3. 1.4.

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1.13. Guideline 6 states that for future discretionary benefit calculations, the increase in the risk free rate (due to Volatility Adjustment, Matching Adjustment or transitional measure) should not impact the assumptions on the likelihood that policyholders will exercise options; this approach seems appropriate. However, we interpret the guideline to mean that, if dynamic policyholder behaviour is modelled, then a shadow fund / asset share will need to be calculated. These would be required to generate a return equal to the risk free rate, excluding Volatility Adjustment, Matching Adjustment and transitional measures, in order to work out whether a policyholder will take up a contractual option. Using shadow fund/ asset shares may not be pragmatic – potentially giving rise to practical difficulties – such an approach may not cause a significant change in results. The relevant explanatory text could be made clearer – it suggests that the assumptions should be adjusted to allow for this. 1.14. We believe the wording of Guideline 7 is ambiguous. The guideline states that, in the risk margin calculation, the reference undertaking does not apply the Matching Adjustment, Volatility Adjustment or Transitional Measures. We suggest the intention of this guideline is suggest that credit risk on the matching adjustment portfolios does not need to be included in the risk margin. Policy Issue 4 confirms that the intention is as mentioned above, i.e. that the reference undertaking invests in risk free assets (with no credit risk). However, Guideline 7 could alternatively be interpreted as, upon transfer of the obligations to the reference undertaking, the reference undertaking will have an immediate increase in their technical provisions which should be allowed for. 1.15. 1.16. 1.17. 1.18. 1.19. 1.20. 1.21. 1.22.			
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