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| | **Comments Template on Consultation Paper on EIOPA's second set of advice to the European Commission on specific items in the Solvency II Delegated Regulation** | **Deadline 5 January 2018 23:59 CET** |
| Name of Company: | European Association of Paritarian Institutions (AEIP) | |
| Disclosure of comments: | Please indicate if your comments should be treated as confidential: | Public |
| | Please follow the following instructions for filling in the template:<br>⇨ Do **not** change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool<br>⇨ Leave the last column empty.<br>⇨ Please fill in your comment in the relevant row. If you have no comment on a paragraph or a cell, keep the row empty.<br>⇨ Our IT tool does not allow processing of comments which do not refer to the specific numbers below.<br>**Please send the completed template, in Word Format, to CP-17-006@eiopa.europa.eu**<br>**Our IT tool does not allow processing of any other formats.**<br>**The numbering of the reference refers to the sections** of the consultation paper on EIOPA's second set of advice to the European Commission on specific items in the Solvency II Delegated Regulation. Please indicate to which paragraph(s) your comment refers to. | |
| **Reference** | **Comment** | |
| General Comment | | |
| Introduction | | |
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| 1.4 | **Recalibration of standard parameters of premium and reserve risks - HME**<br>We want the calibration of the Health Medical Expenses (HME) to remain at 5% shock regarding the calibration of premium and reserve risks considering that the new figures produced by EIOPA show no evolution compared to the data used by the JWG (december 2011 JWG report).<br>Taking this into consideration, we are of the opinion that 5% is still prudent enough. | |
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| 2.2 | **Volume measure for premium risk**<br>The current definition of volume premium to be taken in account when measuring risk, leads to a significant unfariness in the treatment between undertakings, depending on the contract renewal date.<br>In the particular case of renewable one year contracts (by tacit renewal), it is important to return to the initial objective of measuring the risk on an annual basis.<br>The accounting elements and the calculations of the Best Estimate of premiums take into account | |

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| | an assessement of contributions estimated on an annual basis and containing all potential elements.<br>In any case, the amount of contributions cannot contain elements from financial year N+2 which are not a part of the annual risk assessment foreseen in the Solvency II Directive.<br>Thatis why we are of the opinion that annual contracts with tacit renewal must not be subject to the $FP_{(future,\ s)}$ parameter. This parameter should only apply to pluriannual contracts.<br>For annual contracts with tacit renewal, premiums earned in the 12 months following the next 12 months should not be taken into consideration.<br>So we purpose to remove $FP_{(future,s)}$ from the current formula for the volume measure for premium risk for annual contracts | |
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| 3.4.3 | **Recalibration of mortality and longevity risks**<br>We welcome the proposal not to improve the granularity of the mortality and longevity stresses.<br>We propose not to modify the shock without having first considered the possibility to open USP's to mortality and longevity risks. | |
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| 13.1 | **Simplification of the counterparty default risk**<br>We welcome any initiative proposing a simplification of calculations.<br>However, we identify a problem regarding counterparty default risk for collective contracts. Premiums are issued quarterly with a three-month staggered receipt. This leads to an overestimation of the risk of default.<br>This is why we suggest that the fourth quarter has be deducted from the premiums best estimate. | |
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| 15.4.3 | **Simplification of the look-through approach**<br>We welcome the proposal to keep the simplified methodology currently limited to 20% of the assets. The threshold of 20% defined in article 84 is appropriate. It is a key element in avoiding prohibitive costs in the application of the Solvency II rules and in respecting the proportionality | |

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| | principle.<br>Regarding  the proposal to impose an additional qualitative condition for the application of a simplified look-through, we could accept that condition as long as the level of the qualitative analysis remains proportionate to the size of the portfolio and the risk involved. | |
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| 18.4.3 | **Risk margin**<br>According to article 77 of solvency II Directive, "*The risk margin shall be calculated by determining the cost of providing an amount of eligible own funds equal to the Solvency Capital Requirement necessary to support the insurance and reinsurance obligations over the lifetime thereof*."<br>Therefore, the risk margin is designed to represent the amount an insurance company would | |

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| | require to take on the obligations of a given insurance companyand this amount depends on the cost of capital (CoC) on the market at a "t" time.<br>The CoC rate as prescribed in 2012 is of 6% and since then it has not been reviewed.<br>It has to be considered that the risk margin is sensitive to interest rate changesand market rates have been falling steadily since 2012 (at the end of 2011 the 1 year EURIBOR rate was 1.9%, while at the end of 2016 it was -0.08%.). This means that the cost to an investor would be lower today than it was in 2012.<br>That is why we are asking for a downward revision of the CoC rate.<br>In addition, a downward revision of the CoC rate would be consistent with the downward revision of the UFR. | |
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