

**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:	Ordine degli Attuari (ITALY)	
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-17-006@eiopa.europa.eu">CP-17-006@eiopa.europa.eu</a></b></p> <p><b>Our IT tool does not allow processing of any other formats.</b></p> <p><b><u>The numbering of the reference refers to the sections</u></b> 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.</p>		
<b>Reference</b>	<b>Comment</b>	
General Comment		
Introduction		
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7.1	<p>Both Proposal A and Proposal B seem to be very disadvantageous for insurance undertakings if compared to the current approach. In both the Proposals the upward shock has been strongly increased (it goes from 1% to 2% in Proposal A and to 1,4% in Proposal B in case of short-term maturities). Regarding the downward shock, both proposals are extremely disadvantageous in the current low interest rate environment and seem not to be backed by a strong empirical basis. According to our experience on the italian market, those new shocks could turn robust solvency ratios into critical solvency positions. As a consequence, we strongly recommend to revise both the proposals performing a deep empirical analysis on market data that should lead to more realistic calibrations.</p>	

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	Nevertheless, in case there is no chance to revise the proposals, Proposal B is preferred to Proposal A: as a matter of facts, it includes the same advantages of the first approach but combines them with both the facts that it is a risk-sensitive model in the low yield environment and it is data driven since the affine model is estimated on historical data.	
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17.4.2	<p>1300. The approach proposed seems to be very restrictive. While we agree that if <math>OF-bSCR &lt; MCR</math> it is unlikely that an insurance undertaking would underwrite new business, we disagree on the second condition. Indeed, it would mean that an undertaking should start from a Solvency ratio that is higher than 200% in order to be able to use 100% of new business profits. As a consequence we would propose to mitigate the formula allowing 100% of new business profits in all the circumstances different from <math>OF-bSCR &lt; MCR</math>.</p> <p>1310. Our interpretation is that an undertaking can leverage on ENBV only to the extent that these gains will arise in the tax balance-sheet by the allowed projection period. Gaining the whole ENBV</p>	

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in each year of projection would be incorrect.

1314. The Italian regulator has already set out limits in the projection period, applying haircuts to future profits in order to take into account uncertainty in future projections. Haircuts are increasing and start from the 4<sup>th</sup> projection year (20%, 40%, 60%, 80%, 100%) de facto limiting to 7 years the maximum projection horizon.

1316. Business plans and historical data are not always so detailed to allow the calculation of such limits. Additionally, these limits link LAC DT calculation to the way in which undertakings make the business plan and hence could lead to different results when looking at insurance companies with similar risk profile. The approach suggested in 1319 is preferred.

1322. We deem that one could consider the same horizon taken into account for the purpose of Key principle 3 (1314).

1326. We deem that not only assets in excess of the technical provisions could be taken into account, but also the real-world return in excess of the risk-free for assets backing liabilities. Obviously, this should be properly shared with policyholder in case of participating business.

1331-1335. Considering forward risk free returns instead of real world ones is questionable. Future profits are determined in a real world environment and hence should be based on real world returns. Additionally, based on historical data, we deem reasonable to take into account a "bounce back" of financial markets after a shock similar to the one provided by the SCR. Hence we recommend to allow the pull-to-par scenario. Additionally, we deem that the approach proposed (using the post shock risk free interest rate structure) would incentivize market participants to expose themselves to the upward scenario (this is also incentivized by the proposals A and B related to the Interest rate risk sub-module recalibration).

1342-1351. Although the reasonings outlined are reasonable, we deem that future management actions could be accepted to the extent that they are approved by the AMSB and key control



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	function.  1371. According to our view on the Italian market, we deem that data collected to perform the survey on LAC DT are not reliable to estimate such sensitive parameter.	
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