

Log of changes introduced in the Technical Specifications on Long Term Guarantee Assessment (Part I)

The “Technical Specifications on Long Term Guarantee Assessment (Part I)”, published on the 28 January 2013, is an updated version based on the “Technical Specifications for the Solvency II valuation and Solvency Capital Requirements calculations (Part I)”, published on 21 December 2012.

The current document contains a log of these changes, which have been already implemented in the “Technical Specifications on Long Term Guarantee Assessment (Part I)” published on the 28 January 2013.

Reference in TS(I) issued on 28 Jan 2013	Reference in TS(I) issued on 21 Dec 2012	Wording in Technical Specification (Part I)	Corrected Wording
V2.3		None exist	V.2.3. Discounting
	TP.2.147	The result from the calculation of the previous section should be adjusted to take account of expected losses due to default of the counterparty. That adjustment should be calculated separately and should be based on an assessment of the probability of default of the counterparty, whether this arises from insolvency, dispute or another reason, and the average loss resulting there from (loss-given-default).	The result from the calculation of the previous section should be adjusted to take account of expected losses due to default of the counterparty. That adjustment should be calculated separately and should be based on an assessment of the probability of default of the counterparty, whether this arises from insolvency, dispute or another reason, and the average loss resulting there from (loss-given-default). For this purpose, the change in cash-flows shall not take into account the effect of any risk mitigating technique that mitigates the credit risk of the counterparty. These risk mitigating techniques shall be separately recognised without increasing the amount recoverable from reinsurance contracts and special purpose vehicles.
	TP.2.148	The adjustment should be calculated as the expected present value of the change in cash-flows underlying the amounts recoverable from that counterparty, resulting from a default of the counterparty at a certain point in time and after allowing for the effect of any additional risk mitigating instrument.	The adjustment should be calculated as the expected present value of the change in cash-flows underlying the amounts recoverable from that counterparty, resulting from a default of the counterparty at a certain point in time
	TP.5.19	With respect to counterparty default risk only the risk for ceded reinsurance should be taken into account in the risk margin.	Deleted

	SCR.5.37.	<p>The base levels of the two stresses are 39% and 49%. Note that the stresses above takes account of a symmetric adjustment of -7% which is calibrated based on the MSCI Europe equity index denominated in local currency.</p>	<p>For the purpose of LTGA, transitional measure is applied to equity risk and it is assumed to be zero year into the transition, according to the paragraph 3.5.4 in the LTGA technical specification (II). In addition, there is no symmetric adjustment applied to the equity stresses for this exercise. As a result, the above 39% and 49% shocks should not be applied and instead each of them should be replaced by a 22% shock.</p>
	SCR.5.89	<p>For unrated bonds, the issuer credit quality could be used as a proxy if the unrated bond does not inhibit any specificities which detriment credit quality, e.g. subordination.</p>	Deleted
	SCR.7.44.	<p>Capital requirements for the three sub-risks should be calculated based on a policy-by-policy comparison of surrender value and best estimate provision. The surrender strain of a policy is defined as the difference between the amount currently payable on surrender and the best estimate provision held. The amount payable on surrender should be calculated net of any amounts recoverable from policyholders or agents e.g. net of any surrender charge that may be applied under the terms of the contract. In this context, the term “surrender” should refer to all kind of policy terminations irrespective of their name in the terms and conditions of the policy. In particular, the surrender value may be zero if no compensation is paid on termination.</p>	Deleted

	SCR.7.44.	<p>Calculation on policy-by-policy basis If it is proportionate to the nature, scale and complexity of the risk, the comparison of surrender value and best estimate provision for the determination of the surrender strain might be made on the level of homogeneous risk groups instead of a policy-by-policy basis. A calculation on the level of homogeneous risk groups should be considered to be proportionate if</p> <ul style="list-style-type: none"> • the homogeneous risk groups appropriately distinguish between policies of different lapse risk; • the result of a policy-by-policy calculation would not differ materially from a calculation on homogeneous risk groups; and • a policy-by-policy calculation would be an undue burden compared to a calculation on homogeneous risk groups which meet the two criteria above. 	Deleted						
	SCR.9.60	<p>where DIVwindstorm is calculated in accordance with SCR.9.33, but based on the premiums in relation to the obligations referred to in SCR.9.59 and restricted to the regions 5 to 18 set out in Annex L;</p>	<p>where DIVwindstorm is calculated in accordance with SCR.9.33, but based on the premiums in relation to the obligations referred to in SCR.9.59 and restricted to the regions 5 to 18 set out in Annex L. The splitting of the premium for calculation of DIVwindstorm for policies with exposures in multiple geo zones should be based on exposure split.</p>						
	Annex D	<table border="1" data-bbox="432 1046 1084 1219"> <tr> <td data-bbox="432 1046 568 1219"></td> <td data-bbox="568 1046 772 1219">Fixed regular premiums and charges</td> <td data-bbox="772 1046 1084 1219">As there is no guarantee of benefits this would generally mean that none of the future premiums belong to such contracts</td> </tr> </table>		Fixed regular premiums and charges	As there is no guarantee of benefits this would generally mean that none of the future premiums belong to such contracts	<table border="1" data-bbox="1167 1046 1944 1278"> <tr> <td data-bbox="1167 1046 1406 1278">Whole life unit-linked policy paying certain amount above of the unit value (e.g. 10000 euros or 1 %) on the death of the policyholder; no fixed guarantee of benefits</td> <td data-bbox="1406 1046 1653 1278">Fixed regular premiums and charges</td> <td data-bbox="1653 1046 1944 1278">The cover provides a discernible financial advantage to the beneficiary, and therefore future premiums would generally belong to the contract.</td> </tr> </table>	Whole life unit-linked policy paying certain amount above of the unit value (e.g. 10000 euros or 1 %) on the death of the policyholder; no fixed guarantee of benefits	Fixed regular premiums and charges	The cover provides a discernible financial advantage to the beneficiary, and therefore future premiums would generally belong to the contract.
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