Solvency II Review

Latest Update

20 November 2024

Aisling Barrett

Patrick Meghen

Eamon Comerford

Milliman
Solutions for a world at risk™

Timeline

Hasn't this been going on for a while now?

2019	2020	2021	2022	2023	2024	2025-2026

EIOPA consultations

The **European Commission** sent a call for advice to EIOPA in Feb 2019. **EIOPA** issued public consultations on draft advice.

EIOPA info requests

EIOPA carried out information requests for impact assessment

EIOPA final advice

EIOPA's final advice published Dec 2020.

European Commission Proposal

European Commission publishes its proposals in Sept 2021.

European Parliament

In June 2022, the European Parliament's rapporteur published his proposed amendments to the European Commission's proposals.

European Council

In June 2022, the European Council published its agreed position

European Parliament

In August 2022, the European Parliament published (over 600) amendments to the rapporteur's proposals.

ECON vote

The European Parliament Committee on Economic and Monetary Affairs (ECON) voted on proposals in Dec 2022.

ECON approval

In July 2023, ECON approve its amendments to the Directive. Provisional amendments now agreed between the three parties

European Parliament

The European Parliament voted to approve in April 2024. The new Parliament needs to ratify.

Implementation

The implementation date is still uncertain. Late 2026 is the soonest, with further delays still possible

Legislation

Level	Description	Purpose	Responsibility of
1	Directive	Sets out overall framework	Council and Parliament
2	Delegated Regulation	Supplement the Directive (with further details)	Prepared and adopted by the European Commission (with advice from EIOPA); Council and Parliament scrutinise and have the right to object.
2.5	Technical Standards	Conditions of application of Delegated Regulation	European Commission Drafted by EIOPA
3	Guidelines	EU-wide regulatory guidelines to ensure consistency	EIOPA

Background: The politics

- EIOPA's original proposals were designed to be relatively capital neutral
- The Commission's proposals were estimated (by EIOPA) to result in a capital release of approx. €30bn
- In Sept 2022 EIOPA stated: Current proposals have moved away from EIOPA's Opinion… "*thereby generating undue capital relief at the cost of weakening the protection of policyholders*"
- Following the European Rapporteur's proposals, EIOPA carried out confidential analysis for MEPs which showed these would release more than €100bn capital
- This analysis was leaked to the media, prompting Ferber to chastise EIOPA chair Petra Hielkema for influencing the legislative process
- The published text from the European Parliament states "*Adjustments that better take into account the long-term nature of the insurance business might lead to an increase in free available capital as a result of the reduction in the Solvency Capital Requirement. Where this is the case, insurance and reinsurance undertakings should consider not to direct freed-up capital towards shareholder distributions or management bonuses, but should strive to direct the freed-up capital towards productive investments in the real economy in order to support the economic recovery and the Union's broader policy objectives.*"

Capital relief expected

Figures in €

	EIOPA 2019	EIOPA 2020	Commission ~2021	Parliament ~2022	S&P 2024
Extrapolation	-34bn	-61bn			-
Interest rate risk	-21bn	-20bn			-
Risk margin	+16bn	+18bn			+43bn
Vol Adj	+16bn	+13bn			+16bn
Correlations	+5bn	+5bn			+6bn
LTE criteria					+15bn
Total	**-18bn**	**-45bn**	**+30bn**	**+100bn**	**+80bn**

Areas impacted

Original EIOPA consultation

LTG measures ✓

- Extrapolation
- Volatility adjustment
- Matching adjustment

Technical Provisions ✓

- Risk margin
- Expenses in BEL
- Contract boundaries
- EPIFP

SCR ✓

- Interest rate risk
- Correlations
- Symmetric adjustment
- Eligibility for LT equities

Proportionality ✓

- Thresholds
- Low risk profile undertakings
- Proportionality Measures

Pillar 2 ✓

- Macroprudential considerations
- Liquidity risk
- Sustainability
- Systemic Risk Management Plans ✗

Pillar 3 ✓

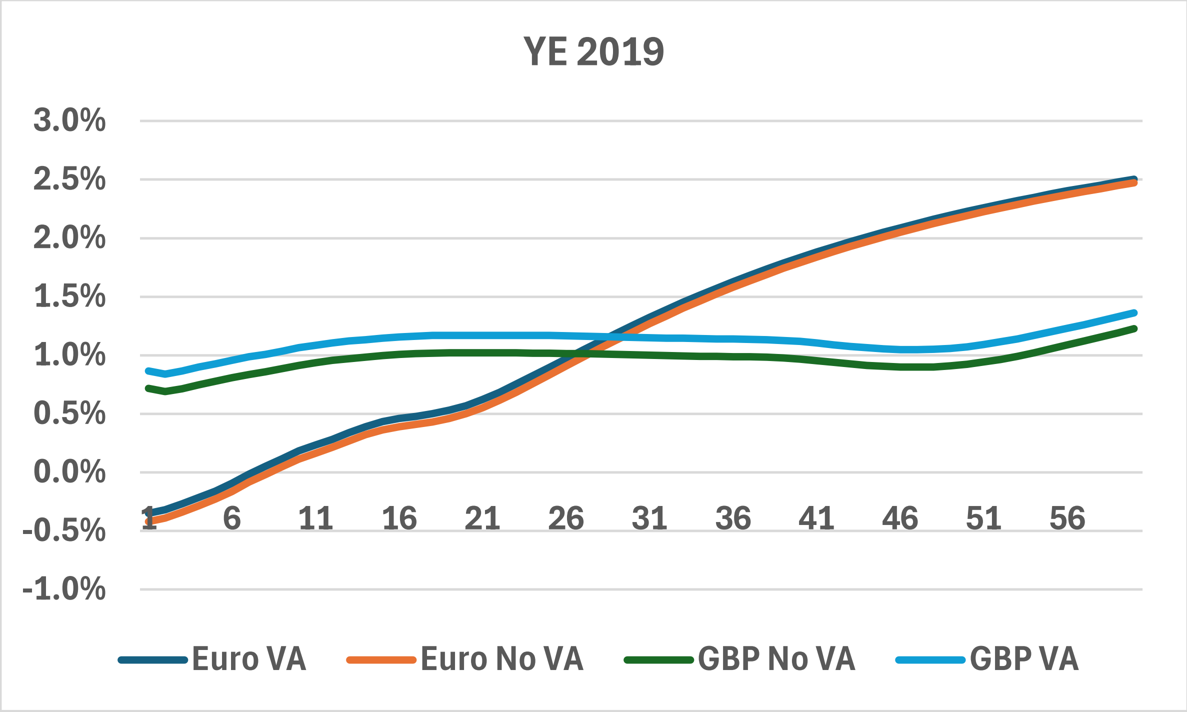
- SFCR
- QRTs

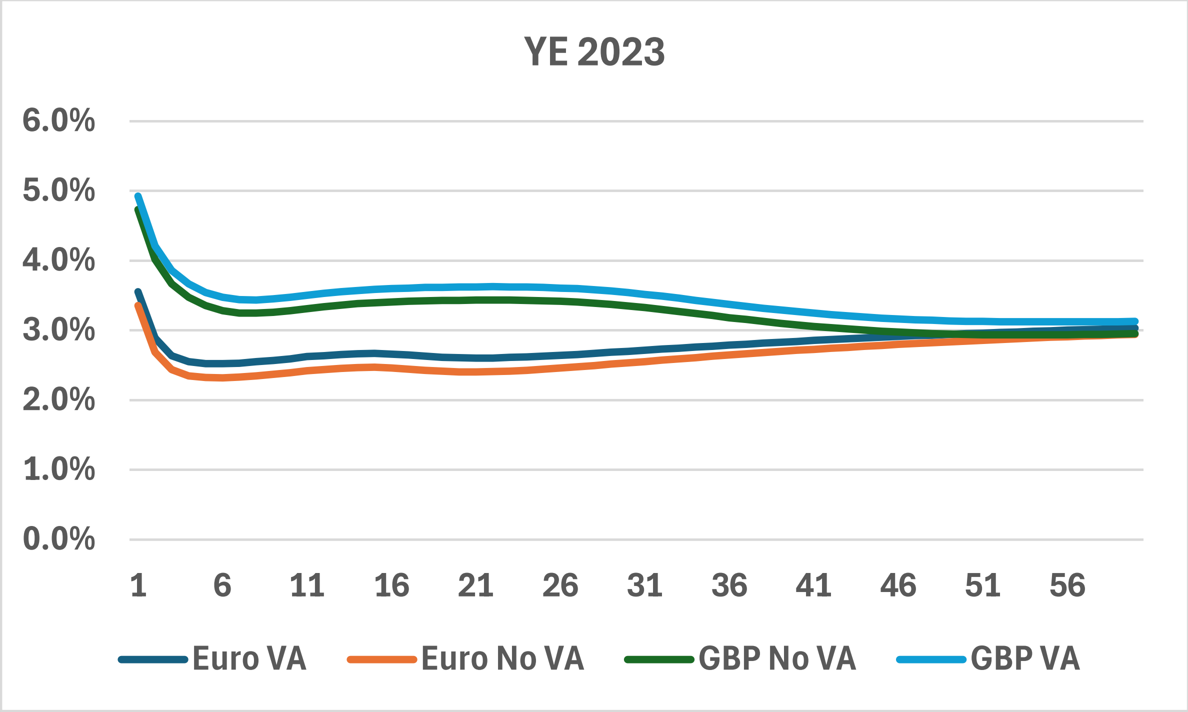
Recovery & Resolution plans ✓

Insurance Guarantee Schemes ?

Background: Yield curves

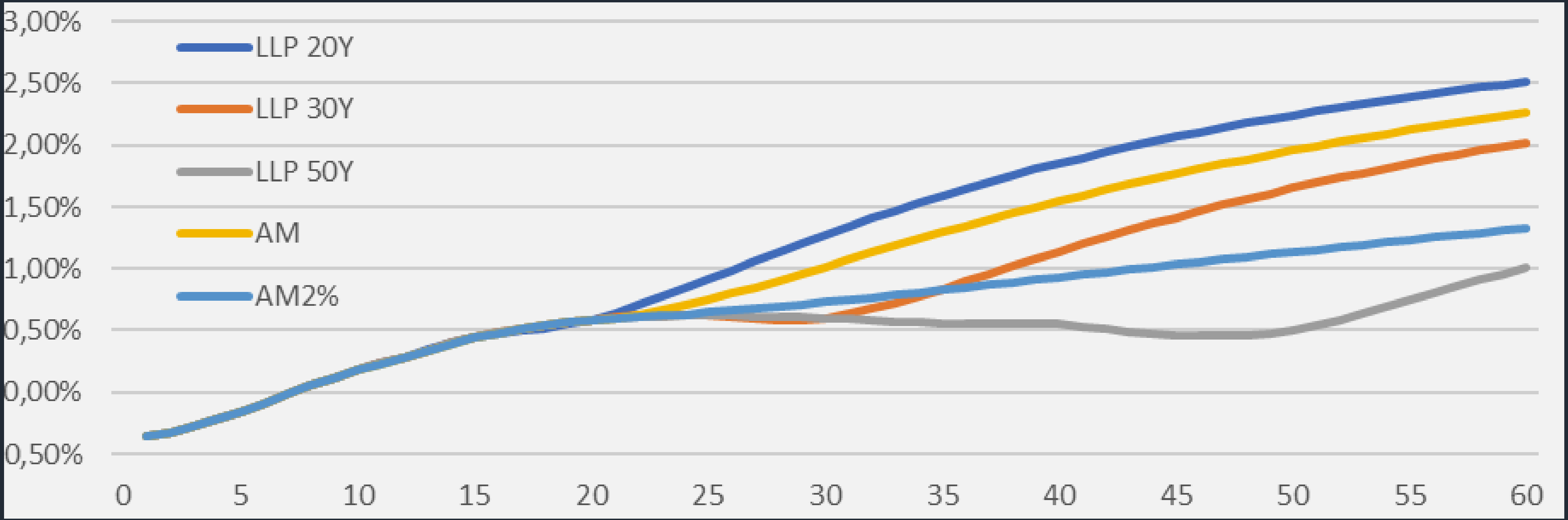
YE 2019





Extrapolation (1/3)

EIOPA proposal at YE 2019



Extrapolation (2/3)

EIOPA

- EIOPA proposed the alternative extrapolation methodology
- Smoothing mechanism where alpha depends on the level of the interest rate at 20 years

European Commission

- Largely follows EIOPA's proposal
- Details deferred to Delegated Regulation

Council of the European Union

- Consistent with Commission

European Parliament Rapporteur

- Prefers to include details in Directive
- Proposes alpha of 20% and no transition period

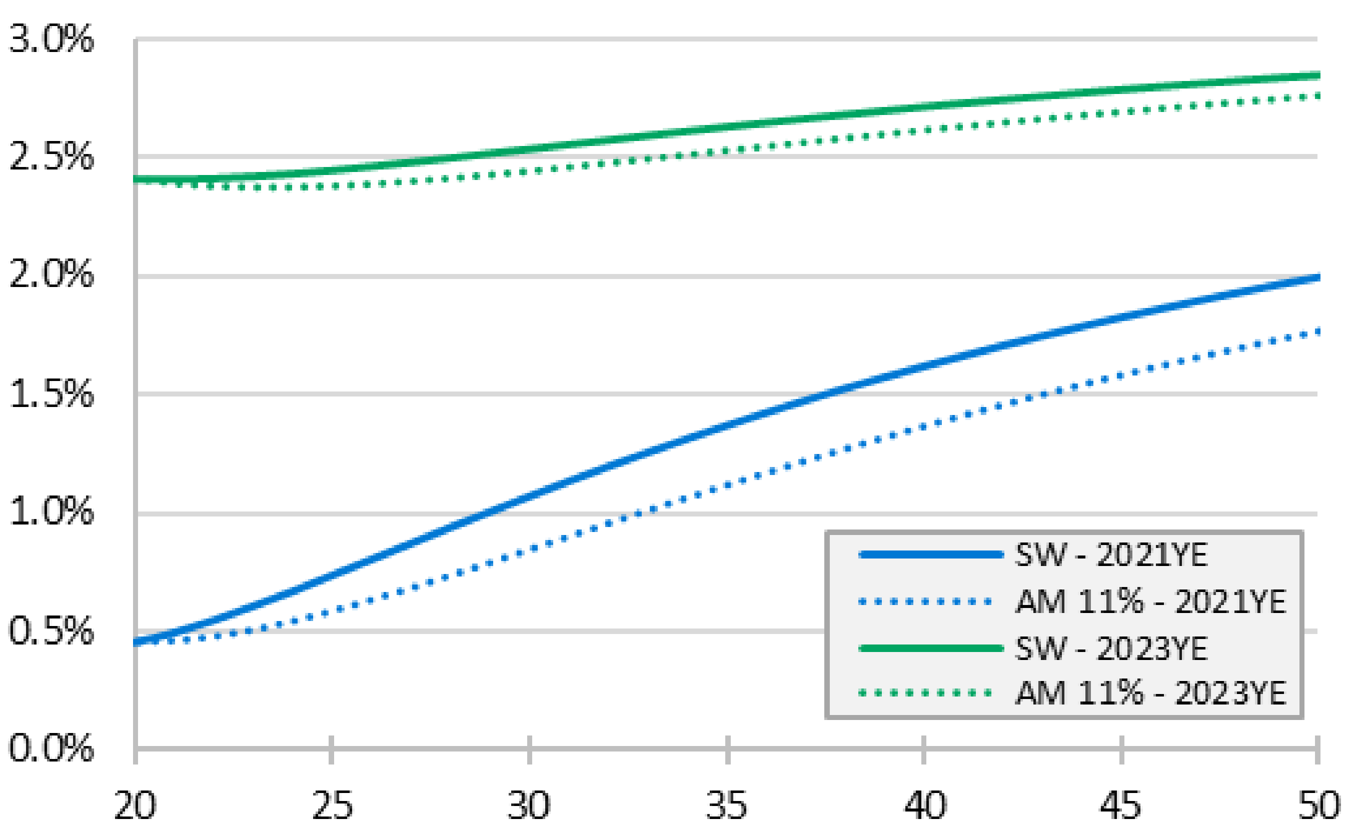
Other Members of Parliament

Range of views on alpha (5% - 20%), LLP (20 – 30 years), transition period (None– 2032)

Final Text

- AM & LLP / FSP of 20 years
- UFR weight of at least 77.5% at 40 years after FSP, effectively flooring the alpha parameter at roughly 11%
- Phasing in subject to supervisory approval & disclosed in SFCR
- Detailed parameters, including exact formulae and weightings, to be clarified in Level 2

Extrapolation (3/3)



Source: Refinitv, Tooling for Inter- and Extrapolation by Milliman.

Risk margin

The good news item…

EIOPA

- Risk margin reduced by applying a lambda factor to the SCR projection, to account for time dependency of risks and reduce the amount of the risk margin.
- Factor starts at 97.5% at year 1 and reduces to 50% by year 28.
- No change to cost of capital

European Commission

- Details deferred to Delegated Regulation
- Supports introduction of reduction factor but proposes no floor of 50%
- Proposes reducing cost of capital from 6% to 5%

Council of the European Union

- No reference

European Parliament Rapporteur

- Prefers to include details in Directive
- Factor starting at 90%
- Cost of capital of 4%

Other Members of Parliament

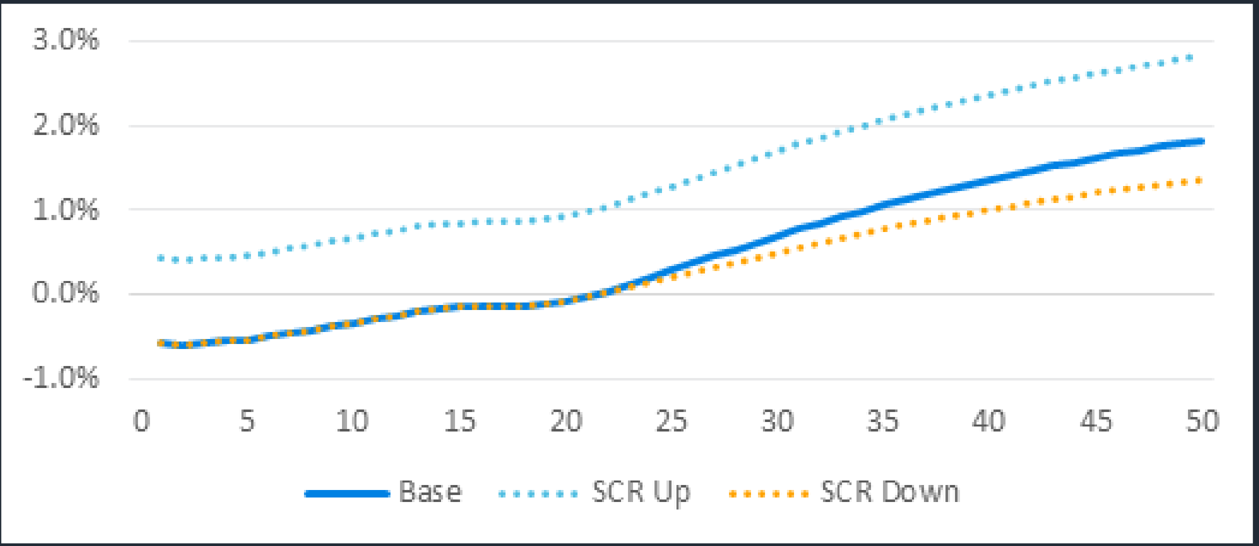
Range of views on reduction factor and cost of capital.

Final Text

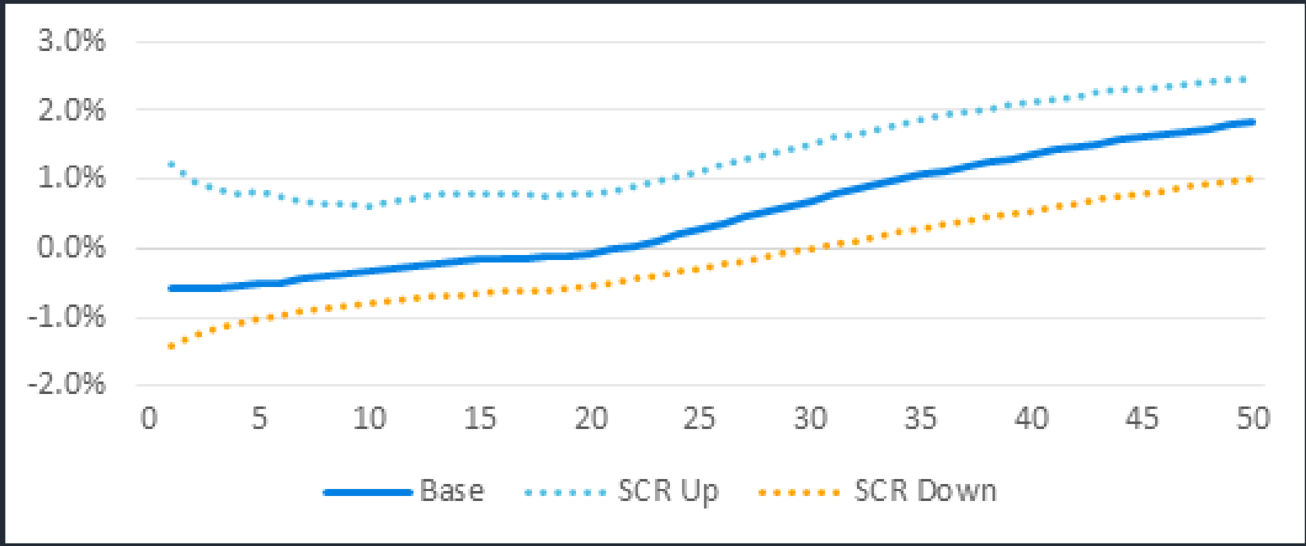
- Cost of capital 4.75% (Note new UK regime using 4.0%)
- The parameter could potentially be amended through the Delegated Regulation within a 4% to 5% corridor (after 5 years)
- Lambda factor has been introduced. Detailed requirements for implementation to be specified in the Delegated Regulation

SCR interest rate risk

EIOPA Proposal



Interest rate risk standard formula SCR shocks under current approach at 30 September 2020



Interest rate risk standard formula SCR shocks under proposed approach at 30 September 2020

EIOPA proposed that this change should be phased in over a period of 5 years

SCR interest rate risk capital

EIOPA

- Downward shock when interest rates are negative to a minimum of -1.25%
- Between 20 and 90 years shock will be linearly interpolated.
- At 90 years up and down shock is 20%
- Phased in over 5 years

European Commission

- As per EIOPA except for extrapolation:
- Shocked rates extrapolated in same manner as base but towards stressed UFR 15bps lower or higher than base UFR

Council of the European Union

- Agrees that "significant changes" are needed and should be phased in.

European Parliament Rapporteur

- Negative floor applies to interest rate down shock such that likelihood of not being above negative floor at all times is sufficiently small

Other Members of Parliament

Seem to agree with rapporteur on need for a floor. However, "the floor should not be flat but term dependent"

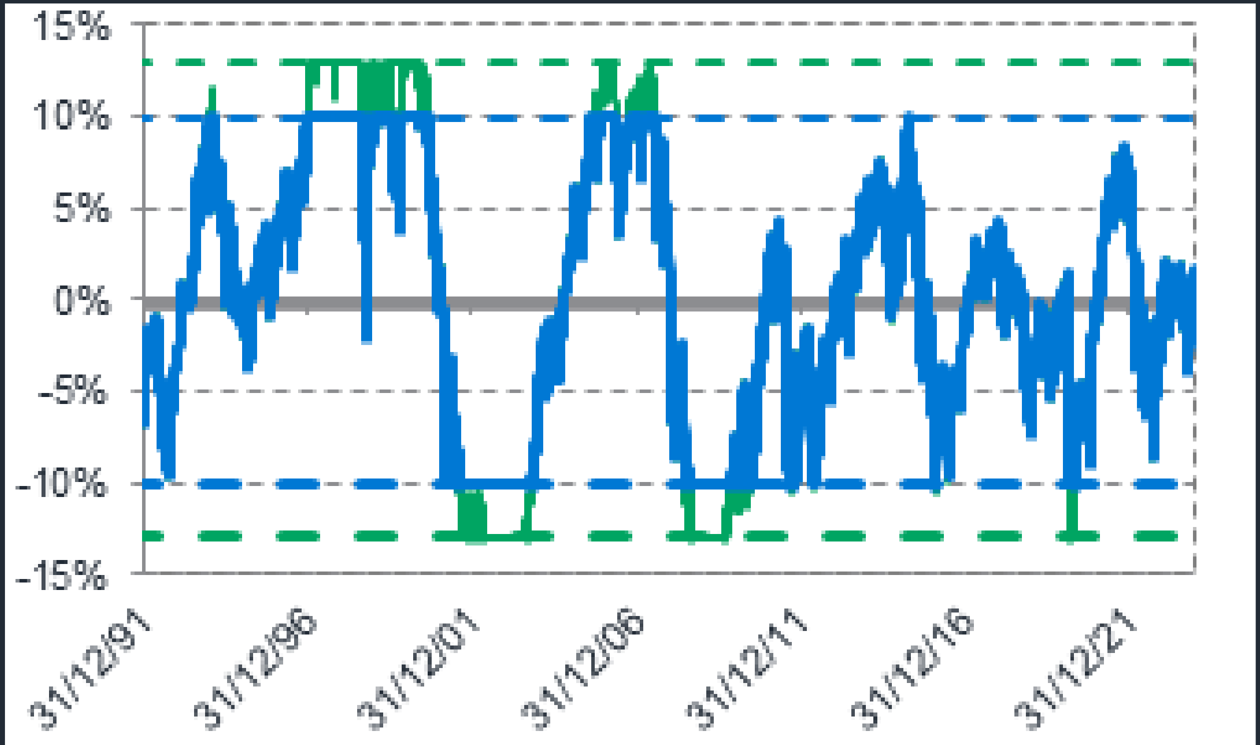
Final Text

- Proposals in line with EIOPA's original recommendations of relative & absolute shocks
- This Commission should aim to make the floor term-dependent rather than flat
- Phased in over 5 years

SCR symmetric adjustment

Equity risk capital

- **EIOPA Proposal:** Widening the symmetric adjustment corridor for the equity risk capital charge from +/- 10% to +/- 17%
- **Final text:** +/- 13%
- Graph shows historic values of symmetric adjustment with the current & new corridor



Other

Proportionality

- Criteria for low risk profile undertakings
- Can avail of some simplified measures

Pillar II

- Supervisors can restrict or suspend dividends, bonuses, IGTs, redemptions etc. following “exceptional sector wide shocks”
- LRMP
- Macroprudential considerations in ORSA & PPP
- Diversity policy with gender balance objectives
- Key functions

Sustainability

- Develop and monitor plans, quantifiable targets & processes to monitor and address financial risks arising from sustainability factors
- Disclose quantifiable targets included in the plan on an annual basis
- EIOPA to develop draft regulatory technical standards

Pillar 3

- External Audit
- Deadlines
- Structure of SFCR
- QRTs

In the meantime…

We can expect the European Commission & EIOPA to progress the following…

Immediate Commission responsibilities:

- Details of extrapolation
- Lambda factor in risk margin
- Term dependent floor on interest rate risk capital
- Matching adjustment criteria for eligibility of assets

Future Commission responsibilities:

- Review cost of capital in risk margin after 5 years (within 4% - 5% corridor)

Recently closed EIOPA consultations (following Commission requests for advice):

- Implementation of new proportionality framework
- Classification & reporting of crypto assets
- Prudential treatment of sustainability risks
- Assessment of natural catastrophe risk in the standard formula

Open EIOPA consultations (published Oct 24):

- Methodology for scenarios for prudent deterministic scenarios
- Identifying undertakings under dominant influence and undertakings managed on a unified basis
- Liquidity risk management plans
- Criteria for exceptional sector-wide shocks
- Macroprudential analysis in ORSA and PPP

Solvency II Compliance Assessment Tool

Milliman's Solvency II Compliance Assessment Tool (S2CAT) distils the most up-to-date Solvency II requirements into easily digestible self-assessment questions and allows insurers to track and prove their compliance with all the requirements of Solvency II. It also provides a library of the regulations and all amendments, and the current and previous templates for NSTs and QRTs.

More information available here.

Milliman
Solutions for a world at risk™

EIOPA Consultation Papers

Milliman

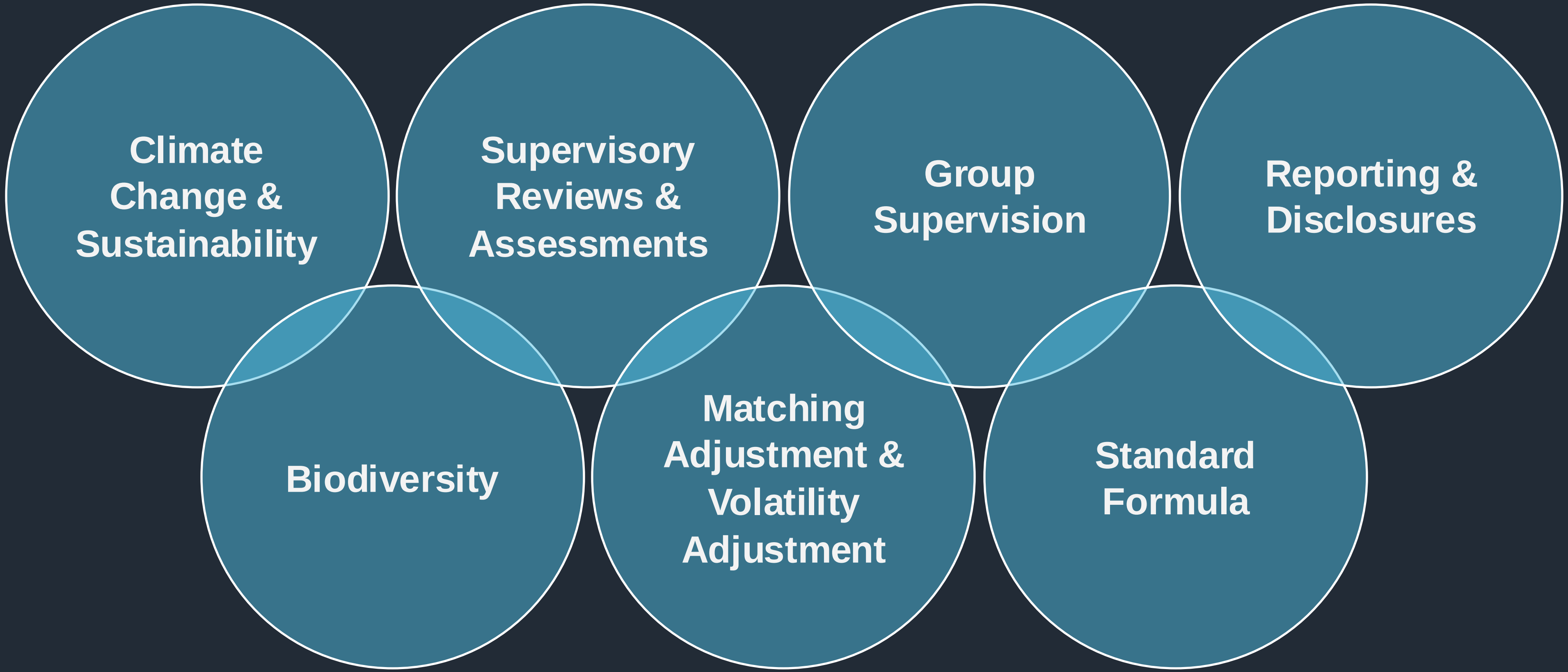
EIOPA consultations 2024

Introduction

- **The European Parliament approved the final text of the Solvency II review in October 2024**
- **As a result, EIOPA are launching a series of consultations**
- **These consultations give stakeholders the opportunity to provide comments and feedback on the proposed recommendations and guidance**

EIOPA consultations 2024/2025

Consultation's key themes



Timeline to implementation

Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	2026

SII Review

Parliament approve text

Consultation Papers

1st batch launched

Consultation Papers

2nd batch launched

Consultation Papers

3rd batch launched

Consultation Papers

4th batch launched

Level 2 Text

2nd batch launched

Expected 'Go-Live'

?

EIOPA consultations 2024

Closed consultations

Consultation Title	Launched	Closed	Applies to	Covered in this session
Prudential Treatment of Sustainability Risks	13-Dec-23	22-Mar-24	All	×
Draft Guidelines on templates for explanations and opinions, and the standardised test for the classification of crypto assets	12-Jul-24	12-Oct-24	All	×
(Re)assessment of natural catastrophe risk in the standard formula	31-Jul-24	23-Oct-24	General Insurers	×
Standard formula capital requirements for insurers' direct exposures to qualifying central counterparties	31-Jul-24	23-Oct-24	All	×
Implementation of the new proportionality framework under Solvency II	02-Aug-24	25-Oct-24	All	×

EIOPA consultations 2024

Upcoming and expected consultations

Consultation Title	Expected
Draft ITS on PHRSS methodology	*Expected Oct 2024*
Draft RTS on sustainability risk management and transition plans	*Expected Dec 2024*
Report on biodiversity	*Expected Dec 2024*
Guidelines on the notion of diversity	*Expected Dec 2024*
Draft ITS on the list of regional governments and local authorities	*Expected Dec 2024*
Guidelines on treatment of market and counterparty risk exposures in the standard formula	*Expected Dec 2024*
Guidelines on undertaking-specific parameters	*Expected Dec 2024*
Guidelines on supervisory review process	*Expected Jan 2025*
Guidelines on methods for determining the market share for reporting	*Expected Feb 2025*
Guidelines on exclusion of undertakings from the scope of group supervision	*Expected Apr 2025*
Guidelines on supervisory powers to remedy liquidity vulnerabilities	*Expected Apr 2025*
Draft ITS on procedures for the approval of the matching adjustment	*Expected Apr 2025*
Guidelines on treatment of related undertakings, including participations	*Expected Apr 2025*
Guidelines on reporting and disclosures	*Expected Apr 2025*
Guidelines on valuation of technical provisions	*Expected Apr 2025*
Guidelines on group solvency	*Expected Apr 2025*
Guidelines on ring fenced funds	*Expected Apr 2025*
Opinion on the supervisory assessment of internal models including a dynamic volatility adjustment	*Expected Apr 2025*

Consultation Title	Expected
Draft ITS on regular supervisory reporting	*Expected Jun 2025*
Draft ITS on public disclosure	*Expected Jun 2025*
Guidelines on financial stability reporting	*Expected Jun 2025*
Guidelines on supervision of branches of third-country insurance undertakings	*Expected Jun 2025*
Guidelines on exchange of information within colleges	*Expected Jun 2025*
Draft ITS on disclosure templates for supervisory authorities	*Expected Jun 2025*
Tool for the calculation of the volatility adjustment	*Expected Jun 2025*
Joint Guidelines on ESG stress testing	*TBC*
Report on integrated data collection	*TBC*
Report on composites	*TBC*

EIOPA consultations 2024

Open consultations

Consultation Title	Launched	Closed	Applies to	Covered in this session
Supervising the liquidity risk management of IORPs	26-Sep-24	20-Dec-24	IORPs	✗
Liquidity risk management plans	01-Oct-24	02-Jan-25	All	✓
Criteria for the identification of exceptional sector-wide shocks	01-Oct-24	02-Jan-25	Supervisors	✓
Undertakings under dominant/significant influence or managed on a unified basis	01-Oct-24	02-Jan-25	Supervisors	✗
Scenarios for best-estimate valuations for life insurance obligations	01-Oct-24	02-Jan-25	Life Insurers	✓
Relevant insurance and reinsurance undertakings with respect to the host Member State's market	01-Oct-24	02-Jan-25	Supervisors	✗
Draft RTS on applicability criteria for macroprudential analysis in ORSA and PPP	17-Oct-24	09-Jan-25	All	✗
Technical advice on standard formula capital requirements for investments in crypto assets	24-Oct-24	16-Jan-25	All	✗
The use of risk mitigation techniques by insurance undertakings: mass-lapse reinsurance and reinsurance agreements' termination clauses	08-Nov-24	07-Feb-25	All	✗

Consultation on Liquidity Risk Management Plans

Background

- As part of the Solvency II Review, three articles are proposed setting out requirements for companies to produce and monitor liquidity management plans:
  - Article 144d(1)(c)
  - Article 144d(2)
  - Article 246a(4)
- EIOPA's aim is to combine all three articles into one coherent set of requirements through the draft RTS as outlined in the consultation paper ("CP").

https://www.eiopa.europa.eu/consultations/consultation-liquidity-risk-management-plans-solvency-ii-review_en

Who does it apply to?

- All undertakings and groups with assets over €12bn
- The supervisor can also request other entities to perform this analysis where they deem appropriate based on qualitative analysis of the undertaking:
  - Exposure to insurable events;
  - Policyholder behaviour.
  - The structure or composition of assets;
  - Counterparty risk;
  - Economic or market developments with impact on funding
- The requirements also apply at a group level

What is required?

- The RTS requires undertakings to include medium- and long-term liquidity analysis in their liquidity risk management plan

Consultation on Liquidity Risk Management Plans

What should be included in the LRMP?

Proposed contents:

0 Overall Assessment	1 Assumptions underlying the projections	2 Cash flow projections
3 Buffers of liquidity assets	4 Liquidity risk indicators	5 Any other information

Consultation on Liquidity Risk Management Plans

What should be included in the LRMP?

0. Overall Assessment

- An overall liquidity assessment
- The main conclusions
- State whether the company's risk tolerance limits are satisfied

1. Assumptions underlying the projections

- The assumptions used for base and stressed scenario
- The applied shocks should be included

2. Cashflow Projections

- A minimum breakdown of inflows and outflows
- Broken down by line of business

3. Buffers of liquid Assets

- The liquidity buffers that are in place
- The breakdown of the types of liquid assets before and after the application of their assumed haircuts

https://www.eiopa.europa.eu/consultations/consultation-liquidity-risk-management-plans-solvency-ii-review_en

4. Liquidity risk indicators

- Required to have liquidity risk indicators in place to help identify and monitor risk.
- A common liquidity coverage indicator is to be used.
- Comply or explain approach is expected to be taken on this

5. Any other information

- Frequency of updates
- Requirements for Groups

Consultation on Liquidity Risk Management Plans

Talking points

Interesting observations

1

Criteria for inclusion

- Total assets not the best metric?

2

Time Horizon

- Start dates for a 3-month plan
- Uncertainty on end of projections

3

Compliance/Reporting?

- Quarterly submissions

4

Overall, a positive step

- Liquidity has been the “poor cousin” to capital in recent years

Consultation on The Criteria for The Identification of Exceptional Sector-Wide Shocks

Background

- The aim of the RTS is to provide a framework for supervisors to identify vulnerable insurers and exceptional events and to ensure consistent application of Article 144c.
- This is something local regulators were faced with during the COVID-19 pandemic.

https://www.eiopa.europa.eu/consultations/consultation-criteria-identification-exceptional-sector-wide-shocks-solvency-ii-review_en

Who does it apply to?

- Local Supervisors
- Insurers with Vulnerable Risk Profiles:
  - Identified by a qualitative assessment completed by the local regulator

What is required?

- The RTS sets out criteria of the identification of exceptional sector wide shocks
- The shock needs to reflect a high degree of uncertainty with a focus on the consequences instead of the events
- Allows the use of measures to preserve the financial position of insurers with a particularly vulnerable risk profile in case of an exceptional sector-wide shock. These measures include the restriction or suspension of dividends, share buybacks and bonuses.

Consultation on Scenarios For Best-Estimate Valuations For Life Insurance Obligations

Background

- Article 86(2a) mandates EIOPA to draft an ITS specifying the methodology for determining the scenarios used for the prudent deterministic valuation for life obligations valuation.
- The ITS will only cover the scenario determination methodology
- EIOPA will calculate and publish these scenarios quarterly for each relevant currency.
- The Commission will adopt Delegated Acts for the valuation process and its conditions.

https://www.eiopa.europa.eu/consultations/consultation-scenarios-best-estimate-valuations-life-insurance-obligations-solvency-ii-review_en

Who does it apply to?

- Small and non-complex (re)insurers who have obtained prior supervisory approval to use a prudent deterministic valuation of the best estimate for life obligations with options and guarantees that are not deemed material
- So, companies that are not doing stochastic calculations.

What is required?

- The ITS specifies the methodology for determining scenarios used in the prudent deterministic valuation
- EIOPA calibrates the volatility hypotheses for the scenarios based on the SCR standard formula stresses for relevant market parameters.
- The methodology involves specifying a base methodology for generating scenarios ensuring practical feasibility and limited risk of underestimation of the TVOG.
- EIOPA proposes an option to use pure stochastic trajectories for its simplicity, robustness, and ease of implementation.

Volatility Adjustment

Background: LTG and IM measures used in Ireland

Internal models, long-term guarantee and transitional measures

A number of measures are available to insurers both in terms of transitioning to the Solvency II regime and in terms of allowing for the impact of long-term guarantees.

- 14 Irish (re)insurers were using the **volatility adjustment** as at YE23 (13 at YE22,11 at YE21)

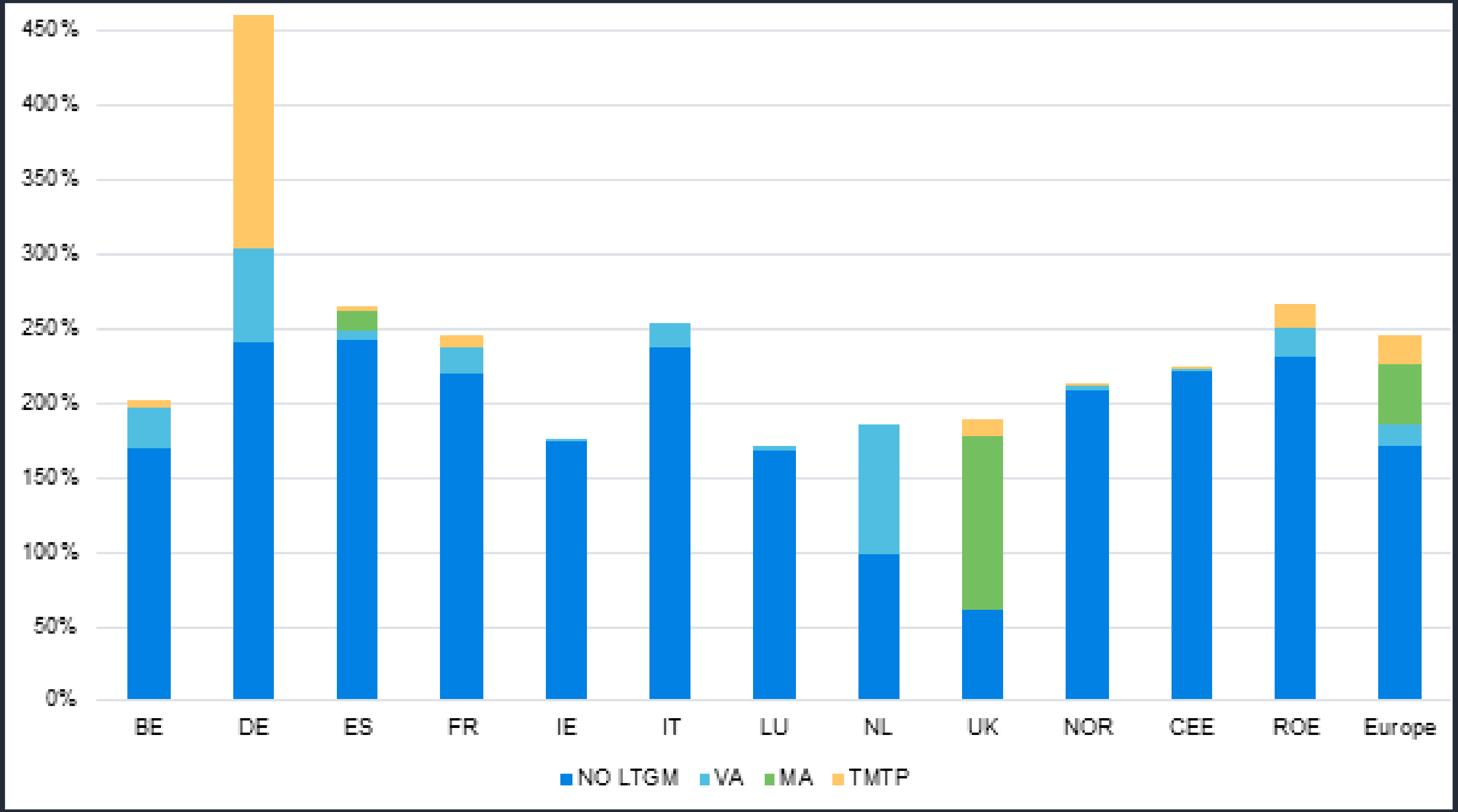
- No Irish insurer is using the **matching adjustment** or any **transitional measures**
- (One reinsurer is using a transitional measure)

- At YE23, 3 Irish life insurers, 5 non-life insurers and 5 reinsurers used **full internal models**

- Standard Life International is the only life insurer using a **partial internal model** (used to calculate the counterparty default risk and operational risk modules of the SCR)

Impact on Solvency Coverage Ratio of measures used across Europe

YE2023 (includes life reinsurers)



53%

of life (re)insurers

apply the volatility adjustment with the benefit arising averaging at

15%

Improvement in solvency coverage ratio

Source: MILLIMAN RESEARCH REPORT Analysis of life insurers' solvency and financial condition reports year-end 2023 European and UK life insurers September 2024

How the VA works

- With the VA, insurers are allowed to adjust the risk-free interest rates used in valuing their Best Estimate Liability (BEL)
  - By adding a spread to the liability discount rate, liabilities are reduced to counteract movements in asset values
  - The expectation is that liability movements with application of the VA will be more in line with asset movements
  - The adjustment to discount rates also impacts the solvency capital requirement (SCR)
- The VA is the most widely used of the optional LTG measures under Solvency II
- VA rates, which vary by currency and country, are determined by EIOPA and published monthly. The VA is derived from the yield spreads of reference portfolios of assets
- Internal model companies may use a dynamic volatility adjustment (DVA), where the VA changes when modelling credit spreads in their SCR calculations

Purpose of the VA

Why do we need a VA

- Help prevent the requirement for market-consistent valuation of assets and liabilities under Solvency II from dis-incentivising insurers from investing in assets that it would otherwise hold
- Reduce ‘artificial’ balance sheet volatility caused by short-term volatility of bond spreads and the value of fixed interest assets
- Help eliminate the need for the insurer to engage in pro-cyclical investment behaviour
- I.e. reduce the forced sale (or purchase) of assets in extreme bond movement scenarios
- Recognise the illiquidity characteristics of liabilities
- Help immunise a company’s Own Funds against movements in non-credit related spreads

VA impact for Irish (re)insurers

Own Funds: +1.6%

(0.3% - 3.5%)

SCR: -1.3%

(-4.4% - -0.1%)

Coverage ratio: +4.9%

(1.4% - 12.4%)

Source: Central Bank of Ireland SFCR Data Repository 2023

Solvency II review (1/3)

EIOPA

- Supervisory approval required in all countries
- 65% increased to 85%
- VA split into permanent VA and macro-economic VA
- Factor to measure duration and volume mismatch
- Factor to take into account the illiquidity of the liabilities
- Factor to scale sovereign & corporate weights in reference portfolio

European Commission

- Largely follows EIOPA's proposal
- Details deferred to Delegated Regulation
- Removal of illiquidity factor but unclear due to less details

Council of the European Union

- In line with the Commission
- Additional factor addressing mismatch between undertaking's investment portfolio and reference portfolio

European Parliament Rapporteur

- Prefers to include details in Directive (and not Delegated Regulation as proposed by Commission)
- Deleted proposal to replace country component with macro component; Views unclear

Other Members of Parliament

Range of views including whether change is needed and others based on EIOPA, Commission & Council proposals.

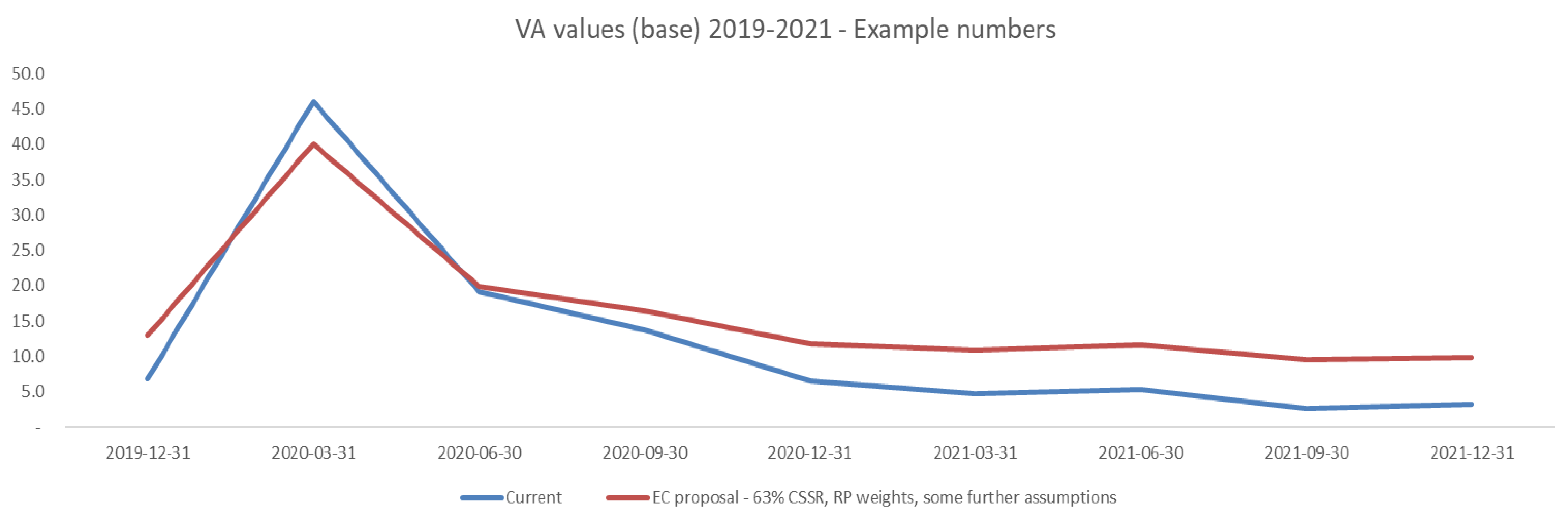
Solvency II review (2/3)

What did they actually agree?

- The general application ratio has increased from 65% to 85%
- Country component of VA replaced with a macroeconomic VA for euro countries, to avoid a “cliff-edge” effect
- Introduction of an undertaking-specific credit spread sensitivity ratio (CSSR) to account for volume and duration mismatches between fixed income investments and insurance liabilities (remove cliff edge effect & over shooting effects)
- Insurance and reinsurance undertakings may apply an additional undertaking-specific adjustment on the risk-corrected spread of the currency, to account for the undertaking’s fixed income portfolio composition (subject to prior supervisory approval and subject to some technical conditions).
  - This adjustment is capped at 105% and may not be higher than 100% for more than two consecutive quarters.
- Some details remain to be outlined in the Delegated Regulation
- **Overall, spread mismatches are expected to be reduced; redesign is, in particular, expected to address the VA overshooting in times of high stress, as observed during the beginning of the COVID-19 pandemic**

Solvency II review (3/3)

What will the impact be?



Approval Process

- Ireland is amongst 10 countries which impose an approval process for VA whilst France, Italy and the Netherlands do not
- The application process is generally not about putting additional barriers in place but verifying compliance with the regulatory requirements
- The Central Bank of Ireland (CBI) provides a checklist to assist in making an application to use the VA.

Requirements for VA approval – CBI checklist*

* guidance-on-volatility-adjustments---2018.pdf (centralbank.ie)

Requirement	Description
Board approval	• Evidence of approval of VA application by the Board
Risk management policy	• Policy on the criteria for the application of the VA, covering (amongst others): • Currency and product type to which the VA is applied • Details on the volatility and illiquidity of the liabilities, including historical experience, and with a particular focus on potential sudden changes to claim patterns • Justification for the use of VA where there is claims volatility • Details of the asset portfolio and a comparison to the VA reference portfolio • Documentation of the interaction between the investment policy and the application of the VA • Details of the history of portfolio rebalancing to counter falling/rising asset prices
Impact assessment	• Impact of reduction in the VA to zero on TPs, SCR, MCR and Own Funds • If this were to result in non-compliance with SCR, analysis of recovery measures • Sensitivity of TPs and Own Funds to assumptions underlying the VA

Requirements for VA approval – CBI checklist*

* guidance-on-volatility-adjustments---2018.pdf (centralbank.ie)

Requirement	Description
Liquidity plan	Projections of the incoming and outgoing cash flows in relation to the assets and liabilities subject to the VA, including: • Details of any guarantees or options on the liability cash flows • Details of historical surrender experience and surrender processes and controls • Details on the effect on the cash flows in the event of policyholder surrenders, including whether outgo volatility could lead to forced sale of assets • A demonstration that there is sufficient liquidity in stressed market conditions to ensure that there would be no forced sale of the assets that justify the use of the volatility adjustment.
Other risk elements	• How, within the ORSA, the Risk Management function will perform the assessment on an on-going basis of compliance with the capital requirements with and without taking into account the VA
Internal model (if applicable)	• Details of how the VA is allowed for in the internal model

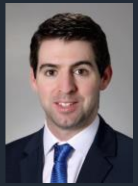
Q&A

Aisling Barrett

aisling.barrett@milliman.com

Patrick Meghen

patrick.meghen@milliman.com



Eamon Comerford

eamon.comerford@milliman.com

Milliman

Solutions for a world at risk™